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Strength of Economic Recovery 2 Nations To Fight Terror

By Barnaby J. Feder
New York Times Service

LONDON — Analysts are being pleasantly surprised by the economic recovery that began in Britain in 1982, gathered steam last year in West Germany and now is taking hold in virtually every country from Scandinavia to the Mediterranean.

"The recovery in Europe has been stronger than expected," said David Kingston, chief economist for PA Management Consultants and a specialist in business strategy for the London-based firm.

The main reason, according to Mr. Kingston and many of his colleagues, is the strength of the dollar, which has spurred European exports to the United States. But modest increases in domestic consumer demand and more industrial investment than some analysts had predicted are also factors.

"There's been a sharp increase in manufacturing investment," Mr. Kingston said. "In some areas, such as advanced engineering materials like plastics, it is moving quite rapidly."

A few analysts see an even brighter picture. Economists at Dresel Burnham Lambert Inc., a New York-based investment firm, argue that it is a mistake to attribute Europe's progress to higher exports. They note that high export rates are a result of exchange-rate imbalances related to high interest rates in the United States, and that the rates have also had a depressing effect on Europe by luring some investment funds across the Atlantic.

"Europe is putting its economic and financial house in order despite, not because of, developments in the United States," they wrote in the firm's latest monthly international investment study. "We believe that it has accomplished and is accomplishing a far greater victory than it now realizes."

No recovery comes at the same pace to all nations in an area as diverse as Western Europe, whose combined economy is almost as large as that of the United States. Finland's economy, for example, grew more than 4 percent last year, after adjustments to account for inflation, while Portugal's output fell more than 2 percent. In addition, as in the United States, performance varies widely from industry to industry and from region to region within the larger countries.

The most hopeful sign is probably West Germany's 4 percent annual growth rate since the end of a nationwide strike in June by IG Metall, the largest manufacturing union in Western Europe's largest economy.

And Britain, now entering its fourth year of growth, could get an increase of 1 percentage point or more to its growth rate this year from the end of the 10-month-old miners' strike, which observers believe is on the verge of collapse. The Confederation of British Industry predicted in November that Britain's economy would grow 3.75 percent this year.

Economic growth is also expected to pick up in France although, at a projected 2 percent annual rate, it would remain below the European average. Of the major economies, only Italy's is expected to have a decline in growth, from 3 percent last year to 2.5 percent this year. Both nations are dealing with major restructuring problems in their industrial sectors.

Inflation, which is generally declining or holding steady, is another reason for optimism. Moreover, those rates have been achieved despite the inflationary impact of the rising dollar, which is used to pay for imported commodities. That analysts have concluded, most of Europe has made more progress in controlling the domestic sources of inflation than the recorded inflation figures indicate.

To be sure, Europe's growth figures and outlook remain unimpressive by U.S. or Japanese standards. In 1985, according to the most recent forecast by the Organization for Economic Cooperation and Development, Western Europe's economy will grow 2.5 percent, the United States will expand 3 percent, Japan 5 percent. However, the trends suggest that, like its more prosperous trading partners, Europe may have emerged from the volatile 1970s into an era where it can achieve sustained growth with low inflation.

"The second half of the 1980s will be a better period," said David (Continued on Page 2, Col. 5)

Paris and Bonn Expand Links to Oppose Alliance

By William Drozdzak
Washington Post Service

BONN — France and West Germany agreed Tuesday to increase cooperation in battling a resurgence of leftist terrorism by creating an anti-terror working group and a hotline to accelerate the exchange of information between the governments.

The measures were announced after talks here Tuesday between Prime Minister Laurent Fabius of France and Chancellor Helmut Kohl of West Germany. They said that experts from their countries would meet regularly to coordinate action against a wave of bombings, arson and shootings since December.

In the last two weeks, there have been assassinations of a high-ranking official in the French Defense Ministry who was responsible for arms sales and of a leading West German industrialist whose company produced engines for North Atlantic Treaty Organization tanks and aircraft.

Direct Action, a French group, claimed responsibility for the shooting of Brigadier General René Audran in France; the Red Army Faction, in West Germany, said that its members killed the industrialist, Ernst Zimmermann.

Both groups issued statements last month saying they were joining forces against NATO.

The fear that French and West German terrorists may be extending links to other leftist guerrilla groups has prompted urgent consultations among governments and security services.

"Both our governments agree completely that all that is humanly possible must be done to banish this scourge of civilization," Mr. Kohl said.

Mr. Fabius said that the recent outbreak of violence underscored the need "to form a united front against terrorism between France and West Germany, as well as the other European countries involved."

He said that interior ministries in Paris and Bonn would increase cooperation on "an operational level" to combat terrorism.

Friedrich Zimmermann, the West German interior minister, said that the new cooperation was necessary because "the latest attacks show that there are direct links between the terrorists and that this internationalization of terrorism above all affects France and West Germany."

His French counterpart, Pierre Joxe, said that the "rapid and precise exchange of information" through a high-speed telex connection and direct involvement of "operational working groups" were the most practical means of active cooperation between the two countries in fighting urban terrorism in Europe.

In recent weeks, U.S. and NATO targets in Belgium, Portugal, the Netherlands, Spain and Greece have also been bombed, but it remains unclear whether all the attacks were related to an offensive by a terrorist alliance.



THE ROCK REOPENS — Gibraltar was opened to traffic for the first time in nearly 16 years. Britain and Spain began talks Tuesday about the disputed colony. Page 2.

Stockman Criticizes Pentagon

He Urges Cutting Military Pensions To Trim Deficit

The Associated Press

WASHINGTON — The White House budget director, David A. Stockman, conceded Tuesday that the \$30-million increase in President Ronald Reagan's fiscal 1986 budget could be trimmed, and suggested reducing military retirement benefits as a way to do it.

Mr. Stockman, testifying before the Senate Budget Committee, turned what was supposed to be a defense of President Reagan's budget request into an attack on the military establishment.

The director of the Office of Management and Budget acknowledged that he did not support the increased amount of military spending in the \$974-billion budget released Monday.

"You may not need" the \$314 billion in new spending authority the president requested for the Pentagon, Mr. Stockman said. "I'll grant that."

But "the president made his decision," he said. "I have to defend the budget." And he said it was "unrealistic" to think in terms of a freeze in the military budget.

If Congress wants to cut military spending, Mr. Stockman said, it should seek to persuade the Joint Chiefs of Staff to accept lower retirement benefits for the military.

"It's a scandal, it's an outrage," Mr. Stockman told the Budget Committee. "If push comes to shove they'll give up on the (national) security before they give up on retirement."

Mr. Stockman said that he had been told during administration discussions that cutting military retirement "would have some adverse impact on recruiting and morale."

"That argument doesn't persuade me," he said. "If you have to spend a half-million or a million over a lifetime to recruit someone, you better find a different way to recruit people."

The military pension program will cost nearly \$16 billion this year and would rise to \$17.8 billion in the new budget. Military personnel who retire after 20 years of active-duty service can receive retirement benefits of 50 percent of base pay, regardless of age.

Benefits are increased each year to account for inflation, and recent Congressional Budget Office figures show that a typical lieutenant colonel, retiring after 20 years of service, can expect to receive \$76,000 in pension benefits.

Mr. Stockman defended spending for other military programs, saying they had already been trimmed as much as they could without jeopardizing national defense. He reminded the senators that the nation's high military budget was due partly to the weapons programs approved by Congress.

Mr. Stockman also said that too many members of Congress were complaining about the military figures in the budget while few were coming forward with specific suggestions for cuts.

And he defended the budget's sharp reductions in domestic programs, saying that "each of us" would try to protect its (Continued on Page 3, Col. 5)

After Years of Disputes, U.S., Europe Are Closer On Technology Exports

By Joseph Fitchett
International Herald Tribune

STOCKHOLM — After several years of trans-Atlantic wrangling over strategic exports to the Soviet bloc, officials in the United States and in European countries say that their national policies have converged significantly on a sharply more restrictive approach.

While imposing controls on a wider range of sensitive technology, West European governments are cooperating more closely with U.S. officials to catch and punish offenders.

The Reagan administration, in response to European cooperation and lobbying by U.S. industry, has watered down some hard-line proposals aimed at curtailing the flow of U.S. technology.

The Defense Department, for example, has been denied the authority it sought to review high-technology sales to allied countries. Congress declined to pass a new Export Administration Act that expanded the Pentagon's trade oversight beyond exports to Communist countries.

And the Commerce Department, in new export regulations about to be published, reportedly has eliminated requirements for foreign dealers who have blanket import authorizations known as distribution licenses to report extensively on all their foreign customers.

"Europeans have moved or been shown to accept export controls on a broader front of technology, and the Reagan administration has made concessions," said David Buchan, the British author of a recent study of the question for the International Institute of Strategic Studies in London.

Despite this policy convergence, contentious issues remain.

U.S. policy, officials say, seems firmly set on strict controls on technology exports, including the sensitive matter of controlling European re-exports of goods containing U.S.-licensed components.

Countries that defy U.S. views frequently find the flow of U.S. technology slowing as Reagan administration officials delay export approval and hint to American companies that a particular country is risky. U.S. and European officials say.

This informal leverage will be increased by a confidential presidential direction, signed Jan. 4 and disclosed this week, that authorizes the Pentagon to review seven categories of high-technology exports up to 15 non-Communist countries at a time.

In special circumstances, this could even be applied to a NATO country, such as West Germany, if other government agencies agreed that technology leaks seemed to be a problem there.

A decision to put a North Atlantic Treaty Organization country on the so-called "gray list," which would almost certainly cause a diplomatic outcry, is the responsibility of a new steering committee representing the Defense Department, Commerce Department and National Security Council, officials said.

The current "gray list," as disclosed this week, reportedly covers Austria, India, Finland, Liechtenstein, Hong Kong, Syria, Malaysia, Sweden, Singapore, Iraq, Iran, South Africa, Sweden, Switzerland and Libya.

Europeans also worry that controls, essentially elaborated by the United States, will be phrased and applied in a way that discriminates against foreign companies in favor of their U.S. competitors.

In addition, many Europeans remain unconvinced, despite the clampdown, that technology leaks can be stemmed. For example, Pacific basin countries such as Singapore, Taiwan and South Korea are rapidly acquiring a high-technology sector, yet largely ignore the Western rules on technology exports.

A Swedish official's comment sums up this problem this way: "The Stockholm Chamber of Commerce regularly organizes seminars to teach Swedish exporters how to comply with U.S. rules covering the U.S. technology in their products. As they wrestle with the forms, a Japanese businessman invariably throws down his pen in dramatic disgust, complains about American bureaucracy and walks out — but not without first giving his card to all the Swedish attendees, inviting them to buy their technology in Japan, free of red tape."

Proposals to extend the Western system of controls to Asia are under discussion at a special meeting this week of COCOM, the committee of NATO members and Japan that controls strategic trade with the Soviet Union.

"COCOM will probably want to reach some arrangement with Asian countries since if you belong to an embargo like COCOM, you have an interest in getting others to join it instead of competing with it," according to Richard N. Perle, the U.S. assistant secretary of defense.

Rather than attempt to create a separate Asian COCOM, the initial Western approach probably will attempt to get Asian nations to join the organization.

This COCOM session, which opens Wednesday in Paris, is scheduled to discuss the modernization of COCOM — for example, injecting more military expertise into its export-application reviews.

In previous COCOM meetings, the United States and the Europeans reached a central compromise over how much technology to control.

The Europeans were and are fearful of a U.S. approach that, according to the head of the West German Chamber of Commerce, Otto Wolff von Amerongen, "ends up classifying all new civilian technology as having a military potential." To Europeans, this not only hurts business but risks appearing to the Soviet Union as a belligerent embargo.

But the United States pushed the view, backed by independent intelligence reports from France and Britain, that the Soviet military does depend heavily on emerging Western technology.

So COCOM broadened its con-

Peres Says Egypt Is Failing to Respond To His Efforts to Improve Relations

By Thomas L. Friedman
New York Times Service

JERUSALEM — Prime Minister Shimon Peres has expressed disappointment with what he said had been Egypt's failure to respond to his efforts to improve relations between the two countries.

Mr. Peres said that if Egypt's cool attitude toward Israel continued, there was a danger that the forces for peace in Israel would become discouraged and question the value of efforts to normalize relations with Arab neighbors.

Mr. Peres's remarks about Egypt came during an hour-long discussion Monday in his Jerusalem office and were his first public criticism of the government of President Hosni Mubarak since Mr. Peres became prime minister last September.

While Mr. Peres has expressed admiration for Mr. Mubarak, his statements reflected the mounting frustration in his administration over the continued absence of normal relations between Egypt and Israel despite what Mr. Peres sees as genuine efforts on his part to satisfy Egypt's conditions for returning an ambassador to Tel Aviv and warming up the so-called cold peace.

Asked if he was satisfied with the state of Egyptian-Israeli relations in light of the recent deadlock talks in Beersheba, Israel, over the tiny disputed Taba border strip, Mr. Peres said:

"Frankly, I wish it could go a little bit further than it does. You see some Israelis can say, rightly, 'Look, the Arabs want land for peace.' In the case of Egypt, 99.99 percent of the land was returned and many Israelis are asking, 'Did we get 99.99 percent of peace?'"

"The Arab side must see the way people are looking at it here," he continued. "We took some unilateral decisions in the domain of Arab-Israeli relations: the withdrawal from Lebanon, the change in the policy of settlements, the changes in the West Bank and Gaza, the open invitation to King Hussein and the readiness expressed in so many ways to really improve our relations with Egypt. Now it must be a mutual effort, and I can't say that I am satisfied with the mutuality of the effort."

Mr. Peres warned that a continuation of the current state of relations between Egypt and Israel "will discourage the forces for peace" in Israel, he said, will begin to say, "Look, whatever we are trying in the peaceful direction doesn't bear fruit." This is the major danger.

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High-Tech Smuggling: Closing the Loopholes

Second of two articles.

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President Fidel Castro of Cuba during a recent speech to a crowd in Nicaragua.

As Dawn Nears, Things Cuban Worry Castro

By Jim Hoagland
Washington Post Service

HAVANA — "I want to know two things," Fidel Castro said through the mental fog that is rolling across my side of the conference table in the sixth hour of the post-midnight interview. "Who is the genius who did away with the jack of all trades in Cuba? And who is the genius who invented the coffee break?"

"What happened to the person who could do many jobs instead of just one?" he fumed with the fervor of an executive who has just read "In Search of Excellence," the best-selling book on efficiency in U.S. corporations. "Trade unions always try to create jobs, of course. But now you find one person in charge of opening and closing the closet, another one cleans it, and a third one organizes what is in it."

His jaw waggles beneath one of the world's most famous beards, which contains tufts of gray now, and his eyebrows flex as he leans forward to tap the table

to emphasize his point. It is a virtuoso performance by a man who has stirred curiosity, admiration, hatred and other passions in Americans for a quarter of a century.

The Cuban revolution, kept aloft against official U.S. hostility by massive Soviet aid, has taken on the form of its quixotic but apparently mellowing commander. The system has settled into an enduring reality in the streets of Havana, and Mr. Castro voices a preoccupation not with spreading revolution abroad but with fine-tuning the economy at home.

After the snuffing out in 1983 of the leftist revolution in Grenada by U.S. military intervention, Mr. Castro takes the long view, subtly switching roles with his old antagonist, the U.S. government. It was the United States, after all, that warned him in the beginning that he would be unable to "export revolution" throughout the hemisphere, only to wind up now

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Castro Looks to Improved U.S. Ties

He Cites Reagan's Hostility, Urges Him to Change Views

By Leonard Downie Jr. and Karen DeYoung
Washington Post Service

HAVANA — President Fidel Castro believes that recent diplomatic contacts between the United States and Cuba have been "constructive and positive" and says that confidence-building agreements in several other areas could contribute to a possible improvement of U.S.-Cuban relations during President Ronald Reagan's second term.

Mr. Castro, in an interview in Havana, listed coast guard activities, fishing rights, interference with radio signals and airplane hijacking as areas in which negotiations could constitute "an expression of good will on both sides" that would build on a U.S.-Cuban immigration agreement signed in December.

That agreement, which grew out of the first extended diplomatic contact between Cuba and the Reagan administration, provides for the emigration of up to 20,000 Cubans to the United States each year, the return to Cuba of nearly 2,800 previous emigrants found undesirable or ineligible for U.S. residency and the admission to the United States of former Cuban political prisoners.

Mr. Castro said that, in general, he had detected within the administration "a possible tendency to be more realistic during this second term." He cited "some positive signs internationally," including the U.S.-Soviet arms control talks

and signs "vis-a-vis Cuba itself," such as the immigration agreement.

For its part, the Reagan administration has emphasized the narrow and limited nature of the immigration accord and its belief that relations will not improve until Cuba's close ties to the Soviet Union are altered and Havana ends its support for the leftist Nicaraguan government and insurgencies elsewhere in Central America.

In recent speeches and conversations with other American visitors, Mr. Castro has taken a conciliatory tone that largely has been rejected by the administration as a public relations ploy lacking substance.

During six hours of conversations last week, Mr. Castro said that "we are not impatient, nor are we anxious" for an improvement in relations with the United States. But he repeated what he said was his willingness to "exchange views with the United States on any topic" and to cooperate in achieving an international settlement of armed conflicts in Central America and the withdrawal of Cuban troops from Angola.

Expanding on these and other subjects, Mr. Castro said:

• The Reagan administration has been "one of the most hostile" ever toward Cuba in terms of economic sanctions and military pressure, and he sees "no special signs" of basic policy change. In response, he said, Cuba has "revolutionized" and expanded its defenses to the point where "any military adventure against Cuba would be doomed to failure" and would be

very costly to the United States.

At the same time, however, Mr. Castro credited the Reagan administration with being the first since he took power in 1959 to definitive stop anti-Castro attacks launched from the United States against the island, to take substantive legal action against exiles who have committed anti-Cuba crimes in U.S. territory, and to discourage illegal immigration from Cuba to the United States. He referred with approval to what he said were second-term Reagan statements indicating a trend away from "warmongering" and toward "the goal of finding solutions to international problems through dialogue."

Mr. Castro said it was "inconceivable for the United States to try to sort out the problem of Nicaragua" through direct intervention and insisted that a solution could be found within the framework of negotiations with the Contadora group. He said the ruling Sandinistas could withstand indirect U.S. military and economic pressure indefinitely.

He said that he had conveyed to the foreign ministers of Colombia, Mexico and Panama — which along with Venezuela constitute the Contadora group of nations seeking negotiated settlements in Central America — Cuba's willingness to withdraw any or all personnel in Nicaragua under any agreement signed by the Sandinistas.

Mr. Castro said that Cuba supports negotiations between the

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(Continued on Page 2, Col. 1)

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TOMORROW

South Korea's national assembly elections are shaping up as a test of two men who will not be on the ballot, President Chun Doo Hwan and a dissident exile, Kim Dae Jung.

New Leader of Europe of the 21 Strives to Bridge the Gulf With Europe of the 10

By Henry Tanner
International Herald Tribune

STRASBOURG, France — Marcelino Oreja, the diminutive former foreign minister of Spain, is afraid that one day soon there may be one Europe too many.

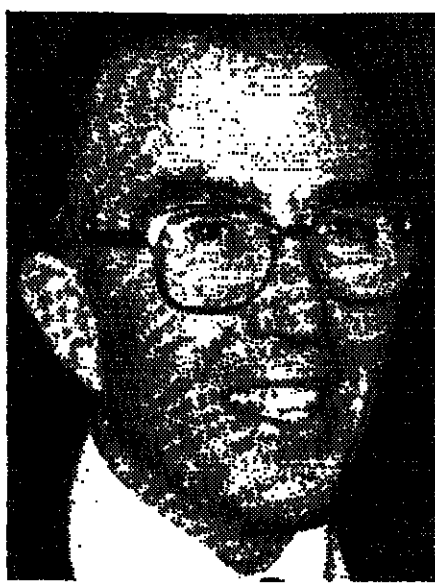
He points out that within Western Europe, itself only half of Europe, there is a deepening gulf between the 10 European Community countries striving for supranational institutions and the neutral democracies, such as Sweden, Switzerland and Austria, that want European dialogue and cooperation but refuse integration.

Mr. Oreja's ambition is to arrest and reverse this trend.

The dynamic secretary-general of the 21-nation Council of Europe has been campaigning since his election four months ago to instill a new sense of purpose into this somewhat moribund organization. He has been exhorting the governments of the European Community to use the council more intensively as a forum for political consultation with the Europeans who are not in the EC and by persuading the neutrals to be more active in it.

The council members, aside from the 10 EC nations, are Austria, Cyprus, Iceland, Liechtenstein, Malta, Norway, Portugal, Spain, Sweden, Switzerland and Turkey.

The council consists of a Committee of Foreign Ministers and a 170-seat Parliamentary Assembly chosen by the national parliaments. Between their twice-yearly meetings, the ministers are represented by permanent delegates. The assembly meets three times a year. The council's function, under its statute, is to bring



Marcelino Oreja

the democracies of Europe closer together; to improve the living conditions of Europeans and to promote human rights and parliamentary democracy.

Since the 10 are soon scheduled to become 12 with the entry of Spain and Portugal in January, the imbalance between the Europe of the Community and the Europe of the 21 can only grow. Mindful perhaps of Western charges that the United Nations' Educational, Scientific and

Cultural Organization and other international organizations have been squandering their efforts and their funds on too many unrelated projects, Mr. Oreja, 49, has started his campaign by asking the council and its Parliamentary Assembly to reduce their set of priorities and, particularly, to drop economic issues that overlap with EC activities.

He wants to concentrate on three areas, he said in a recent interview.

His first priority is to create greater cohesion between the EC members and nonmembers. He argues that because the council's members constitute a majority of the world's democracies, they have a unique potential for assuring wider application of democratic values within Europe and for serving as a model outside the Continent, if only they manage to coordinate their 21 voices.

Mr. Oreja also wants to improve the operations of the council in the area of human rights activities, where the organization has had its most solid achievements.

Every year several thousand individuals submit their complaints to the council's Human Rights Commission. If the commission finds the case admissible, it sends it to the organization's Court on Human Rights, whose judgment is transmitted to the member government concerned with a recommendation for action if necessary.

The court has no power to enforce its judgment but the weight of its political and moral pressure is such that Britain's House of Commons is discussing bills, on phone tapping and corporal punishment in schools, in response to action by the council's rights court.

Mr. Oreja has suggested the creation of a second "house" within the commission so that the pace of dealing with the complaints can be doubled.

Mr. Oreja wants to focus the council's efforts on intensifying cooperation in such fields as terrorism, drug trafficking, the fight against pollution and legal issues.

The council takes no practical action. It is not Interpol, and does not substitute itself for justice ministries of member nations. The representatives that come here, unlike those in the EC, cannot commit their governments.

But they can set standards and suggest practical approaches in the three or four conventions they adopt annually. They organize consultations between officials working on the same problems and they can, in Mr. Oreja's words, "try to mobilize the political will of governments" to make cooperation between national enforcement agencies easier.

When the council was founded in May 1949, the member governments intended it as a first step toward unifying Europe. It marked the first time that a parliamentary assembly was attached to an international organization and the first time that opposition members of national parliaments could be heard in such a forum, council officials point out.

But the time for political unification of Europe had not yet come. The leading governments decided to focus on economic unification. The Schuman Plan was signed in 1950 and the Coal and Steel Community came into being in 1952. The council went into eclipse, except in the field of human rights, where it became a leader with the adoption of its Human Rights

Convention in 1950 and the creation of the Human Rights Commission and the Human Rights Court.

Others of the more than 100 conventions passed by the council over the years cover such matters as social security, patents, extradition, equivalence of university degrees, compulsory car insurance and the protection of adopted children.

The council has a permanent staff of about 350 and brings about 3,000 government officials and experts together for consultation a year. Its 1985 budget is 344 million French francs (about \$35 million) about the same as the previous year if inflation is taken into account.

Karl Ahrens, a Social-Democratic member of the West German Bundestag and current president of the Parliamentary Assembly, suggested in an interview that the council's weakness — its lack of a supranational mandate and its inability to commit its member governments — may also be its strength.

The council can be an effective force for moral and political persuasion, he said, because the constraints that inhibit the EC countries striving for integration do not exist here and because the organization's geographical reach is much wider.

The council can afford to be ahead of its time, he said. It took up the problems of air and river pollution throughout Europe long before the national parliaments did.

The council wants to be "a bracket that is holding all of Europe together," Mr. Ahrens said, adding "You can't deal with long-distance pollution, for instance, without going beyond national and Common

One of the council's next projects may be a study of the human, social and legal aspects of genetic engineering, he said.

The decision to try to revitalize the 21-nation council originated with the French and West German governments two years ago, when negotiations within the EC were at a particularly difficult point.

President François Mitterrand visited Strasbourg last year and pledged French support. West Germany's foreign minister, Hans-Dietrich Genscher, has been a constant advocate of increased activity and last month, during his term as council president, he summoned the members' foreign ministers to their first extraordinary session. Normally the ministers come for twice-yearly sessions only.

But not everybody is optimistic about the council's future role.

When Mr. Oreja called on Jacques Delors, the new president of the EC Commission, he found him cold and unenthusiastic about the council's activities, a council source said. "They are a new team in Brussels and they are preoccupied with their own problems," the official said.

An official at the headquarters of the European Parliament, made up of parliamentarians from the 10 Common Market countries, told a visitor that he did not see what contribution the council could make to the unification of Europe even though it might have its uses in the dialogue with the neutrals.

He smiled and pointed out that the two buildings housing the council and the European Parliament, although close and connected by a passage, stand back to back and that one is virtually invisible from the other.

Spain, U.K. Begin Gibraltar Talks

United Press International

GENEVA — Britain and Spain agreed Tuesday to begin immediate negotiations on resolving their dispute over the British colony of Gibraltar.

The talks followed the opening of the frontier at midnight Monday after a blockade of more than 15 years.

Foreign Ministers Geoffrey

Greece Says It Discussed Arms Sale With Libya

Reuters

ATHENS — A government spokesman said Tuesday that a Libyan delegation had been in Athens recently to discuss military purchases worth \$500 million. Greece, he said, hopes to sell Libya military equipment worth \$1 billion during the next five years.

Greek officials said that the Libyans showed interest in the Artemis ground-to-air missiles system and in fast patrol boats.

Howe of Britain and Fernando Morán of Spain decided at a one-day meeting here that lower-level officials should begin work this week.

They said the talks would involve cooperation involving Britain, Spain and Gibraltar in areas that include aviation, economic matters, tourism, the environment, transport and defense.

Senior officials will monitor this work at regular intervals while foreign ministers will meet annually to review progress, with the issue of sovereignty reserved for the ministers.

Sir Geoffrey said that the agreement represented "a significant measure of success" in overcoming British-Spanish differences over the colony since its capture by the English and the Dutch in 1704. Spain ceded the colony to Britain in 1713, but has long claimed it.

Sir Geoffrey said that he had "repeated the British government's commitment to honor the wishes of the Gibraltarian people."

Any change in sovereignty, he

Reagan Assails Soviet on Yalta

United Press International

WASHINGTON — President Ronald Reagan assailed the Soviet Union on Tuesday for breaking promises made 40 years ago at the Yalta Conference.

Mr. Reagan, who in the past has said he does not accept the division of Europe into Western and Soviet spheres, issued a statement commemorating the anniversary of the World War II talks involving the British, Soviet and U.S. leaders.

"Since that time, Yalta has had a double meaning," Mr. Reagan said. "It recalls an episode of cooperation between the Soviet Union and free nations, in a great common cause. But it also recalls the reasons that this cooperation could not continue — the Soviet promises that were not kept, the elections that were not held, the two halves of Europe that have remained apart."

Force of Economic Recovery In Europe Surprises Analysts

(Continued from Page 1)

Kern, chief economist at National Westminster Bank in London, "We haven't eliminated economic cycles, but the low points will be a very small decline and remain higher than the average for the previous 10 years."

As the OECD now sees it, 1985 will be the first year since 1978 in which no European nation records a decline in output. Moreover, it will be a year in which Europe's growth rate increases slightly while that of the United States and Japan declines. This will at least temporarily narrow the growth gap in a way that some economists believe highlights the significance of a healthy Europe to its trading partners.

"There is, at the moment, a reversing of the roles between the United States and Europe," said Hans Mast, chief economist of Credit Suisse in Zurich. "Growth in Europe will be helping the United

WORLD BRIEFS

Libya Frees 4 Britons Held Hostage

LONDON (UPI) — Libya freed on Tuesday four British men held hostage for nearly 10 months after British police besieged the Libyan Embassy in London and Britain broke off relations with Colonel Moammar Qadhafi's government.

The men were arrested in Libya after British police laid siege to the embassy when a policeman was killed by gunfire coming from the building. They were released after months of mediation and four trips to Libya by Terry Waite, the personal envoy of the Most Reverend Robert Runcie, the archbishop of Canterbury.

The men, two teachers and two engineers, were released at a news conference in Tripoli, which was broadcast by the BBC. The four Britons — Robin Plummer, 32, Malcolm Anderson, 27, Alan Russell, 48, and Michael Berdimer, 32 — are scheduled to leave Tripoli on Thursday with the archbishop's envoy.

Their release was delayed for a day as a Libyan protest against last week's unveiling by Prime Minister Margaret Thatcher of a memorial to Yvonne Fletcher, the policeman who was killed.

Veterans Contradict Westmoreland

NEW YORK (NYT) — Two combat veterans of the Vietnam War took the stand at General William C. Westmoreland's libel trial against CBS and, wielding a mock grenade and trip wire, demonstrated how the Viet Cong's self-defense forces rigged booby traps that, they said, caused American casualties.

The veterans — Daniel A. Friedman, a twice-wounded private who served as an infantryman, and Howard Embree, a captain who graduated from West Point in 1963 when General Westmoreland was superintendent there — were called as witnesses Monday by CBS to counter the general's testimony that the self-defense forces were "basically civilians" who posed no offensive threat.

Both veterans said that the part-time, hamlet-based forces inflicted numerous injuries, some fatal. "Those people were fighting us. We were trying to fight them," said Captain Howard Embree, a professor of English at Mississippi State University. He showed how to rig a booby trap. Mr. Friedman, a veterans' counselor in New York, said he discovered that many of the enemy dead from firefights in Vietnam were the same people who had earlier been "waving at" American soldiers and taking C-rations from them.

For the Record

Another 625 British coal miners abandoned their strike Tuesday, management said, as intermediaries attempted to revive negotiations to end the 47-week walkout. About 100,000 remain on strike. (AP)

A Yugoslav district court found a philosophy professor, Milan Mladenovic, guilty of anti-state activity and sentenced him to 18 months in prison, the newspaper Politika reported Tuesday. (AP)

A verdict in the Polish trial of four secret police officers charged in the killing of a pro-Solidarity priest, the Reverend Jerzy Popieluszko, is expected Thursday. (AP)

An Aeroflot jetliner carrying up to 80 people crashed on takeoff from the Minsk airport in Belorussia, killing an unknown number of passengers, a Soviet newspaper reported Tuesday. (UPI)

Peres Says Egypt Is Failing To Respond To Peace Efforts

(Continued from Page 1)

had the pro forma appearance of a Christian country — unfortunately, I think that is nearing the end," he said.

On the Israeli economy, the prime minister indicated that he felt two voluntary wage-price agreements worked out by his government, the labor unions, and business had put the Israeli economy on a road to recovery. The second phase of those agreements took effect Tuesday.

"In Washington, they were very skeptical about the means we have decided to employ, and even had the slight feeling that we took the easy road," the prime minister said of the voluntary wage-price controls. "I don't agree."

"The government is taking the necessary drastic measures to cure the economy, painful as they may be," Mr. Peres said. Referring to the Israeli fiscal year that starts April 1, he said: "Out of the operational budget of \$11 billion, \$2 billion to \$2.5 billion will be actually cut during the coming fiscal year. I am positive that we will implement these cuts and cure the economy."

"I think the facts are speaking for themselves," he concluded, citing the sharp reduction in Israel's inflation rate, to a little more than 3 percent a month from 20 percent a month; the rise in exports; the fall in imports; and the voluntary but limited cutbacks in linking wages to inflation — all accomplished with little rise in unemployment.

The prime minister expressed the hope that, as a result, the United States would approve \$800 million in emergency economic aid that his government has requested to tide it over the transition period, during which Israeli foreign currency reserves are running dangerously low.

Asked if he thought the conclusion of Ariel Sharon's libel suit against Time Inc. constituted a "moral victory" for Israel, Mr. Peres said: "I don't think this was a confrontation between the state of Is-

Castro Looks to Improved Ties With U.S., Urges Reagan to Change Views

(Continued from Page 1)

U.S.-backed government in El Salvador and Cuban-backed guerrillas, and insisted that the rebels are seriously interested in a political settlement. While he said that neither side will be able to achieve a military victory in the short term, and noted that logistics had become "highly difficult" for the guerrillas, he said that the rebels could "resist indefinitely" in the absence of a negotiated agreement.

Mr. Castro also indicated that he may be prepared to scale back Cuba's military efforts in Africa, a major point of conflict between Washington and Havana. He confirmed that Cuba has reduced significantly the number of troops it has in Ethiopia, and he offered qualified praise for a U.S.-sponsored mediation effort between Angola and South Africa that eventually could lead to Cuban withdrawals from Angola.

The Cuban leader would give no specific figures on his country's military presence in Africa. U.S. estimates put the current force in Ethiopia at about 5,000, down from a peak of 17,000. It is estimated that there are 25,000 Cuban combat soldiers in Angola.

Since the early 1970s, Mr. Castro regularly has used visits to Cuba of U.S. congressmen, other officials and journalists as a means of sending messages to Washington across the wide political breach separating the two countries. Such contacts have lessened, both in frequency and impact, under the Reagan administration, which consistently has blamed Cuba as the source of conflict in Central America.

But since the immigration agreement was concluded Dec. 14, Mr. Castro has played host to a delegation of U.S. Catholic bishops and has been visited by three U.S. con-

gressmen accompanied by several scientists and businessmen.

At the end of the interview in his office in the Palace of the Revolution, Mr. Castro emphasized that "nothing I have said here was intended to be hostile toward the United States." He had noted throughout that Cuba had observed favorably both the substance and the tone of the recent immigration negotiations, which he characterized as "excellent — very serious and respectful."

However, Mr. Castro said, the Reagan administration had stepped up military maneuvers off its coast and at the U.S. naval base at Guantanamo on the eastern tip of Cuba and greatly increased aerial surveillance of Cuba.

In a list of what he called "hostile" acts by the administration, Mr. Castro also included "intensive economic measures, the economic blockade," and the exertion of "great pressure to obstruct the rescheduling of Cuba's external debt" with the West.

"In the political field, it also has been very aggressive," he said, "and in the military field, it has constantly threatened us. All that is true. But nevertheless, we are very grateful. Why? Because it forced us to undertake two big revolutions."

One, he said, amounted to a rethinking of Cuba's economic structure that has resulted in an ongoing austerity drive, an emphasis on import substitution and the fulfillment of trade commitments with the Soviet bloc.

More important, Mr. Castro said, "during the past four years, in view of the threat of the United States, we have totally changed our conceptions regarding defense. We have multiplied our forces by many times, to the point that we have become an unconquerable country. Invulnerable, unconquerable."

Included among the new defense measures is what has amounted to the re-establishment of a nationwide militia that has trained and armed hundreds of thousands of Cubans along the lines of the force that existed following the Bay of Pigs invasion in 1961.

"Every citizen in this country knows what to do," Mr. Castro said. "In the event of a blockade, a war of attrition, bombings, an invasion, even in case of an occupation of the national territory."

In a long monologue that chronicled rising debt, unemployment and social pressures in the Third World, particularly in Latin America, Mr. Castro indicated his belief that time is working toward dialogue and against what he characterized as an interventionist U.S. policy in the hemisphere. He said

that Latin Americans, long separated by an "every man for himself" attitude, were starting to see joint efforts as the only solution.

"Latin America is a powder keg," he said. "It's an explosive situation. It's a serious thing, and how are they going to solve it? It's better that we start thinking about all of these problems."

In particular, he said, the United States needs to change some of its views about Cuba. "I think that many times in the United States, opinions are held on the basis of beliefs rather than ideas sustained by solid arguments," Mr. Castro said. Instead of hostility, he added, the international situation requires efforts to understand each other's point of view.

Mr. Castro acknowledged that the question of Central America was "very delicate" but insisted that the issue of Nicaragua could be resolved through negotiations. He reiterated his pledge to abide, with verification, by any agreement Nicaragua would sign calling for the withdrawal from Nicaragua of Cubans — numbered by the Sandinistas at 4,000 and by the Reagan administration at 6,000.

But, he said, the decision is up to the United States, which has opposed as inadequate a pending Contadora treaty that deals with the withdrawal of all foreign forces from Central America.

Ruling out the probability of direct U.S. intervention in Nicaragua, Mr. Castro said: "I think that the United States at the moment hopes to destroy the Nicaraguan revolution from within," by continuing to support the operation of anti-Sandinista rebels and "by compounding Nicaragua's economic difficulties."

"I am convinced that the U.S. hopes to end the revolution through this combination," he said. "As long as the United States has this hope, it will not seriously express the will to find solutions."

El Salvador, Mr. Castro said, presents a much more difficult problem, but one that he said still is solvable. "If both sides want to find peace," he said, "then peace can be found."

Talks between the Salvadoran president, José Napoleón Duarte, and the guerrillas "are to be encouraged, and work has to proceed in this direction," he said. Because of what he described as Salvadoran "right-wing opposition" to the

As Dawn Nears in Havana, Things Cuban Worry Castro

(Continued from Page 1)

accusing him of having succeeded in doing just that through the Sandinistas in Nicaragua. And Mr. Castro is now on the other side of the road as well.

"It is impossible to export a revolution because revolutions are the results of a set of economic, social, historic, cultural factors that no one can export," Mr. Castro said. "Nor can they be avoided. We can't export revolutions in Latin America, nor can the United States prevent social changes if the problems continue to pile up in Latin America."

"Latin America is a powder keg," he said, reeling off statistics of mounting debt, falling living standards and social upheaval in country after country. "What will the United States do? Let us concede the United States can intervene in Grenada, which is a country of 400 square kilometers (152 square miles) and 120,000 population. What about Brazil? Will the United States invade Brazil?"

U.S. intervention in Latin America, he adds, "is playing with fire beside a powder keg."

A pink Caribbean dawn is beginning to creep across Havana as Mr. Castro speaks in his soft but unmistakably pedagogic manner, which has varied little since the conversation began in his cavernous office at 2:30 A.M.

Dressed in tailored, olive green fatigues with single-starred epaulettes, Mr. Castro, at 58, appears trim and alert as he notes that he must break off soon for an 8 A.M. meeting with Manuel Piñero, the Communist Party's expert on U.S. po-

lity. A small puff of smoke from the Cohiba cigar he toys with hangs for an instant in his beard.

The upside-down schedule seems part ritual, part metabolism. Mr. Castro apparently needs only four or five hours' sleep, which he catches on the run.

The interview may break a boredom and isolation that would seem predictable at this stage of his and Cuba's history. The loss of such revolutionary comrades as Che Guevara and others leaves Mr. Castro a giant among pygmies on a national scene devoid of the renewing political freedoms and competition of a non-Communist system.

Mr. Castro is quick to turn to the international stage he sought so avidly in the 1960s and '70s, ruminating on the budget deficits of West Germany and Japan, the unemployment rates of France and Britain. Then he becomes the Grand Old Man of the Revolution, comparing what he has accomplished with the rest of the Caribbean and Latin America.

"Since the revolution," he said, "we have graduated nearly 200,000 university professionals. When we began our health program, there were only 3,000 doctors. Now we have 20,500. We have doctors in over 25 countries, some 1,500 of them. We have 255,000 working teachers. Infant mortality in Cuba is 15 for every 1,000 live births."

"We are among the first 15 nations in the world and only three points away from the United States. We don't compare our health situation to that of Jamaica or Central America. We compare it to the United States."

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Reagan Speaks In Aid to Guatemala
Request Is Made for Facing Stronger
WASH. — Reagan's administration is expected to announce a new initiative for Guatemala, a source close to the White House said Tuesday.

The source said the initiative would be announced in the next few days and would be a significant step in the administration's policy toward Central America.

Reagan's administration has been criticized for its handling of the situation in Guatemala, where the military has been accused of human rights abuses.

The source said that the new initiative would be a "strong statement" of the administration's commitment to human rights and democracy in Central America.

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Reagan Seeks Escalation In Aid to Guatemala

Request Is Among Budget Proposals Facing Strong Resistance in Congress

WASHINGTON — The Reagan administration's \$14.77 billion foreign aid budget for fiscal 1986 calls for increasing military assistance to Guatemala from \$300,000 to \$35.3 million, despite severe criticism of its human-rights record.

The jump is so large that it seems certain to provoke new charges from congressional critics that the administration is seeking to resolve

what would mean the end of its train service on Oct. 1, the first day of fiscal 1986.

The proposed action, which is generating a counterattack from Amtrak and such advocates as the National Association of Railroad Passengers, is consistent with the administration's position that the U.S. government should not run railroads.

"Amtrak carries less than 2 percent of intercity passengers and receives exceptionally large federal subsidies relative to the number of passengers carried," the Reagan budget says. That subsidy was \$35 per passenger in 1984.

Amtrak responded, "By the same analysis, for each airline passenger, federal tax expenditures due to business travel deductions alone average \$33. If all federal support for such services as air traffic control were included, the federal cost per airline passenger would be considerably higher than Amtrak's."

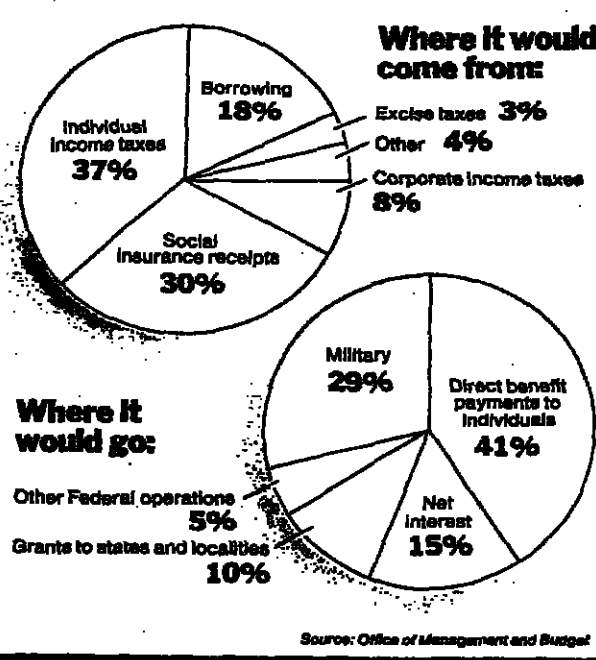
Amtrak recovers 58 percent of its operating budget from fares, higher than Congress has asked it to do.

Amtrak said that if it ceases to operate, it would lay off 25,000 employees; the cost of severance pay to the federal government would be \$2.1 billion over six years; all 250 of its trains would stop running, and 500 stations it owns would close.

The Reagan administration served notice Monday on the World Bank that it may end its support of the bank's subsidized Third World aid program after the U.S. commitment expires in two years.

In his budget message to Congress for fiscal 1986, Mr. Reagan said the administration "intends to honor existing commitments" to the International Development Association, as well as to the Asian Development Fund and the African Development Fund.

Estimates for the fiscal year beginning Oct. 1.



Mr. Reagan added, however, that "in light of the current severe fiscal pressures, the administration is not budgeting at this time for the future replenishment of these particular institutions."

The bank's programs for the poorest nations are carried on through the International Development Association, an affiliate that the United States helped to launch in 1961.

"We take this seriously," Moeen Qureshi, senior vice president of the World Bank, said in an interview. "Signals by the United States have a tremendous impact on other countries, which understand that it is a burden-sharing program."

"If the United States took the position that it wouldn't contribute, it would be difficult to negotiate with other donor countries," he said. "It could spell the end of IDA."

The Reagan administration's proposals for a "market-oriented" 1985 farm bill will include a plan to end the government's tobacco support program.

Two of the administration's most loyal allies in Capitol Hill, Senator Jesse Helms, Republican of North Carolina, chairman of the Senate Agriculture Committee, and Representative Larry J. Hopkins, Republican of Kentucky, have put Agriculture Secretary John R. Block on notice that the proposal is as good as dead.

Tobacco is central to the economy of several states, but critics, who have been gaining ground in Congress, say the government has no business supporting a commodity harmful to health.

The new legislation seeks cutbacks in farm-commodity support programs in an effort to reduce costs and make U.S. agriculture more competitive worldwide.

Mr. Block said at a briefing Monday that, although the administration plans to cut both direct subsidies and support-loan levels — which set a floor under basic farm prices — the changes must go hand in hand with a farm bill that would help farmers get better prices and regain their competitive edge.

U.S. Cancels Exercise After Ship Banning

WASHINGTON — The United States has withdrawn from planned naval exercises with New Zealand and Australia to protest New Zealand's refusal to permit an American destroyer to stop at a New Zealand port, the Reagan administration announced Tuesday.

The White House spokesman, Larry Speakes, also said that Aus-

tralia had canceled the exercise following the U.S. decision. New Zealand has imposed a ban on nuclear weapons entering the country.

"We deeply regret this decision to deny port access to a U.S. Navy ship that contributes to the common defense of the ANZUS alliance," Mr. Speakes said, describing it as "a matter of grave concern."

"We are considering the implications for our overall cooperation with New Zealand under ANZUS," he said. The alliance was established more than 30 years ago by Australia, New Zealand and the United States to provide for mutual defense.

He added: "We are considering other actions we might take, but at this time we have no further decisions and no further comment."

Mr. Speakes, the deputy White House press secretary, said the

matter would be discussed when Prime Minister Bob Hawke of Australia meets with President Ronald Reagan on Thursday.

In the past week, New Zealand has twice refused a U.S. request for a port call by an American destroyer, the USS Buchanan. Prime Minister David Lange said in New Zealand on Tuesday that the ban would be continued.

[Australian defense officials said in Canberra that the three countries would hold a series of bilateral naval exercises instead of the three-way maneuvers. Reuters reported.]

Mr. Lange has refused to grant access to New Zealand ports to ships armed with nuclear weapons and insists that the United States declare whether military vessels carry such weapons when applying for port privileges. But the U.S. government has steadfastly re-

fused to reveal such information, and has said that New Zealand's policy could wreck the ANZUS alliance.

The prime minister said in a radio interview that the ban on nuclear weaponry would not be lifted and that he would not bow to pressure from U.S. officials.

"If they make it a condition, then they have made a unilateral withdrawal from ANZUS," Mr. Lange said, but added he was certain that the United States wanted to keep the alliance.

New Zealand's position, according to Mr. Lange, was that "we have a conventional defense relationship with the United States, that we are going to continue in that relationship and that we are committed to a policy which does not have nuclear weapons in New Zealand."

U.S. Pensions Are Criticized

(Continued from Page 1)

interests in Congress, the main objective was to bring down the deficit. "The president's budget will do just that," he said.

The committee's chairman, Pete V. Domenici, a Republican of New Mexico, asked, "Is this budget negotiable, Mr. Stockman? Because if it isn't, we may as well quit."

"It is," Mr. Stockman said, adding that Mr. Reagan was absolute in insisting that taxes not be raised to reduce the deficit.

As Mr. Stockman was testifying on the military budget in the Senate, Defense Secretary Caspar W. Weinberger was before the House Armed Services Committee for a second consecutive day of congressional questioning.

Representative Les Aspin, a Democrat of Wisconsin who is the new chairman of the committee, said the military buildup is virtually certain to be cut by Congress.

Mr. Aspin also affirmed he might end his support for the MX multiple warhead intercontinental missile, a weapon for which helped preserve funding in congressional maneuvering a year ago.

Mr. Weinberger said a congressional vote to kill the MX missile or to block other important military goals would "end any hope" of a substantive arms control agreement with the Soviet Union.

President Reagan, at a White House ceremony to sign copies of his annual economic report to Congress, was asked whether the strong opposition in Congress made him more willing to yield on his military spending requests.

The president said that about \$30 billion had been cut from the Pentagon's original spending request. He suggested that the administration had made a "mistake" by not offering its initial military proposals with no reductions so that Congress, itself, could cut the military budget.

The military buildup was also expected to be a major theme in Mr. Reagan's State of the Union address to Congress. The president is to deliver the speech Wednesday evening, his 74th birthday.

Senate Committee Approves Nomination of Meese

Compiled by Our Staff From Dispatches

WASHINGTON — The Senate Judiciary Committee voted, 12-6, Tuesday to approve the nomination of Edwin Meese 3d as attorney general and sent it to the full chamber, which is expected to give its endorsement.

Mr. Meese's nomination, held up for a year by questions of ethics, was approved largely along party lines, with all 10 of the panel's Republicans voting for him and all but two of its Democrats voting against.

"Not only is Mr. Meese qualified to be attorney general, but he is a man of honesty, competency and dedication," said the committee chairman, Strom Thurmond, a South Carolina Republican, moments before the roll-call vote.

Senator Edward M. Kennedy, Democrat of Massachusetts, said before voting against Mr. Meese: "The degree of Mr. Meese's com-

mitment to fair and impartial enforcement of laws is in question. Mr. Meese is associated with this administration's policies that undermine the principles of fairness and justice and with an administration which has hung out a sign saying 'white men only.'"

Senator Robert C. Byrd, Democrat of West Virginia, said the "standard has to be set to which the people in this country can look with confidence and faith and particularly our young people."

"I'm sorry to say I don't believe the nominee meets these standards," Mr. Byrd said.

But he said the nomination was expected to be approved by the full Senate.

The presidential counselor was nominated as the nation's 75th attorney general in January 1984, but since then, he has been through two rounds of committee appearances, last March and last week.

There also was a six-month investigation of him by an independent counsel, Jacob A. Stein, who found no basis to prosecute Mr. Meese but left decisions about his ethical conduct to the Senate.

Mr. Meese was questioned extensively at the hearings about his role in approving U.S. government jobs for his financial benefactors; his promotion to colonel in the Army Reserve, and his acceptance of a \$10,000 payment from a presidential transition organization.

The nominee said he had done nothing wrong, but he pledged to be more careful about creating appearances of conflict of interest.

Also Tuesday, President Ronald Reagan's choices to head the Interior and Energy departments easily won Senate committee approval, clearing the way for their confirmation by the full Senate.

No lawmaker opposed the move of Energy Secretary Donald P. Ho-

del to the Interior Department, or his replacement at the Energy Department by John S. Herrington, now the chief of personnel at the White House. (AP, UPI)

New Communications Chief

Patrick J. Buchanan, a conservative columnist and commentator, was appointed the new White House communications director on Tuesday, The Washington Post reported.

The White House chief of staff, Donald T. Regan, also announced that Max L. Friedersdorf, a veteran of the Nixon, Ford and Reagan administrations, was returning to the White House to handle relations with Congress.

He further announced that Edward J. Rollins, the former White House political director and Reagan-Bush campaign director, was returning to handle political and intergovernmental affairs.

The three appointees, and a fourth to be named later for policy, are to be senior deputies to Mr. Regan, who took his path of office this week after swapping jobs with James A. Baker 3d, who became Treasury secretary.

Mr. Buchanan has been critical of Secretary of State George P. Shultz and others perceived as moderates in the administration. A syndicated columnist and television commentator, he was an assistant to President Richard M. Nixon, specializing in the news media and speech writing.

The communications post has been vacant since David R. Gergen resigned Dec. 8, 1983. Mr. Gergen's duties have been shared by the deputy chief of staff, Michael K. Deaver, who is leaving the White House for a public-relations job; Richard G. Darman, a presidential assistant; and the president's spokesman, Larry Speakes.

Managua Official Suspended as Priest

Compiled by Our Staff From Dispatches

MANAGUA — The Reverend Ernesto Cardenal, Nicaragua's culture minister, says Pope John Paul II has formally suspended him from the Roman Catholic priesthood because he refused to resign from his government post.

"It is with profound pain that I have received an official communication from Rome that imposes the canon suspension, suspending me from exercising priestly duties," Father Cardenal said Monday.

He said the order came "directly from the pope."

Father Cardenal, 60, said he would respect the Vatican decision, but criticized the church hierarchy for "harassing" him and the other priests in the Sandinist government.

"We are victims of an injustice," he said. "They have punished us for serving the people."

The priest said he hopes "that God will better defend my people." "What I say is that His Holiness falls before the aggression against our people and that his action coincides with the policies of Reagan," he added.

Father Cardenal, along with three other priests in the Nicaraguan government, had been ordered to resign their posts, but all four vowed to remain in the government.

The other priests are Foreign Minister Miguel d'Escoto Brockmann, Edgar Parrales, representative to the Organization of American States, and Education Minister Fernando Cardenal, Father Cardenal's brother.

Fernando Cardenal was expelled from the Society of Jesus — the Jesuits — in December and Father Parrales voluntarily left the priesthood two weeks ago. Father d'Escoto reportedly was given until Wednesday to decide what he will do.

The significance of the suspensions is mostly symbolic because the four agreed in 1981 that they would neither perform priestly functions in public nor wear clerical garb. Orders like Monday's mean that they cannot say Mass or celebrate other rites in private, although in Roman Catholic theology they remain priests for life.

Ernesto Cardenal said Monday that he would continue observing



The Reverend Ernesto Cardenal, Nicaragua's culture minister, announcing he has been suspended as a priest by the Vatican because he refuses to leave his government post.

all the rules, including his vow of celibacy.

The pope has repeatedly warned that canon law prohibits priests from holding government positions.

During his current visit to Latin America, the pope has criticized clergy who follow what has been called "liberation theology" because it contains what many view as Marxist elements.

In the Peruvian desert city of Piura on Monday, John Paul repeated that Catholic clergy cannot deviate from church teachings in favor of "opposing ideologies."

(UPI, AP)

Lima Partly Blacked Out

Peruvian rebels set off an explosion Monday night that blacked out parts of Lima about 30 minutes after Pope John Paul II arrived from northern Peru, The New York Times reported.

The action by the Shining Path rebel group appeared to be a response to the strong words from

the pope on Sunday in Ayacucho, the heart of the area where the guerrilla movement is waging its campaign against the government. The pope asked the rebels "in the name of God" to end their campaign and to "seek the roads of dialogue and not those of violence."

John Paul's comments in Ayacucho were seen as significant not only because of his unusually direct intervention in a political situation, but also because the pope did not mention reports of human rights violations by the government in its fight against Shining Path.

Peru is the third stop on a four-nation tour that is to end Wednesday in the Caribbean nation of Trinidad and Tobago.

Papandreou to Visit Russia

Agence France-Press
ATHENS — Prime Minister Andreas Papandreou of Greece is to begin a four-day visit to the Soviet Union on Monday.

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Short of Consumer Goods, Hanoi's Long Suits Are Celebrations and War

By Barbara Crosscut
New York Times Service

HANOI — The old man sits on the post office steps, a bathroom scale on the sidewalk beside him. The little scale, a vintage model, is his livelihood, and he has covered all but its dial with a piece of plastic to protect this most valuable possession from the mud of a drizzly day.

For less than a penny the old man weighs people, bending down slowly and with great effort to focus his weak eyes on the numbers. Reading out a customer's weight is part of the service. He accepts payment without expression and returns wearily to the steps.

Although the scenes of everyday life might not suggest it, this is a year of celebrations for Vietnam. In October, Hanoi celebrated 30 years of liberation from the French. In April, Ho Chi Minh City, which its own tourists bureau still calls Saigon, will mark the 10th anniversary of the communist victory over South Vietnam's U.S.-supported government.

In between, the army celebrated its 40th birthday in December, a reminder that for 40 years, Vietnam is still at war — now in Cambodia and on the border with China — and another generation is being called on to make sacrifices.

With severe shortages of most consumer goods and minimal public services, Hanoi's residents continue to draw on their resourcefulness. The old man with his scale is but one of hundreds, if not

thousands, of small entrepreneurial efforts on city sidewalks.

Other people fix bicycles, refill the refills of ballpoint pens, or sell things: dumplings, bowls of soup, vegetables from their gardens, individual envelopes or cigarettes, handmade objects of bamboo and straw. Moneychangers, paying more than 20 times the official exchange rate, thrive.

Recycling is an art: Pull tabs from imported aluminum cans are bought for a fraction of a cent and used to make curtain rings. A can fetches anywhere from a dime to more than a dollar and has many uses. Old movie film is fashioned into celluloid picture frames.

At night, a visitor passes an old woman selling used bottles of all sizes in the front room of her home. A few people beg, and others sleep huddled in doorways.

Frequent visitors to Hanoi say that over the last five or six years life has improved in this capital city, a fine example of French colonial architecture that was little damaged by American bombing in 1972. There are more goods in the stores, more television sets in homes and brighter colors on people and buildings.

But Hanoi and the overpopulated, impoverished north, its soil depleted and its forests fast disappearing, are still a world away from southern Vietnam. In the south, consumer goods appear to be in abundance. Ho Chi Minh City's deputy mayor boasts that food rations have tripled in a

decade and most businesses with fewer than 20 employees (and two-thirds of the city's housing) are in private hands.

"One country, two systems," people say sardonically, echoing the formula the Chinese have used

With severe shortages of most consumer goods and minimal public services, Hanoi's residents continue to draw on their resourcefulness.

to describe how Beijing hopes to coexist with Hong Kong when it reverts to Chinese rule.

This is not to say that there are no amusements in Hanoi. The city's young people seek their pleasures in movies, in window-shopping at government department stores, or in walks by the city's several picturesque lakes or in its numerous parks, now sprinkled with the pink peach blossoms that are the flower of Tet, the Vietnamese New Year, in the north. The young also read.

At the Hanoi-Hue-Saigon bookstore, the city's largest, a clerk in the section marked "Literature" reported that her biggest sellers were romantic novels and detective stories.

She said that a favorite among the books, which were priced inexpensively, was "Romeo, Juliet and Darkness," a love story by an author named Jan Otsenasech set against the evil of Nazi Germany. "A lot of books come from the Russians," an English-speaking browser volunteered.

The store, which had one copy of a Vietnamese translation of Graham Greene's "The Quiet American," also sold collections of contemporary Vietnamese short stories, published locally in pamphlet form on coarse brown paper.

Themes of war, heroics and grief mark these stories, which often are short morality lessons. They jolt the foreign reader into an awareness of how "the American war" already has slipped back into history, taking its place behind the newest threat from the Chinese.

"The Vietnamese are ambivalent about Americans," a Western diplomat said. "Despite the war, they respond more to American culture than to Russian, and want more contacts with American people."

A Hungarian was more blunt and bitter. "They hate us because they associate us with Russians, and they hate Russians," she said.

Diplomats and international aid officials may find life in Hanoi challenging. Housing, which is

controlled by the government, is scarce. Requests by at least one international agency for permission to build apartments at its own expense have met countless bureaucratic obstacles.

There are no international schools for the children. "That's the real reason we want the Americans back," one European ambassador said. "We hope they'll open a school."

All diplomatic eyes are on a mysterious green villa, which, by common understanding, seems to be reserved for the American Embassy if and when the United States and Vietnam renew diplomatic links.

With even basic foods like eggs and bread sometimes unobtainable in Hanoi, most embassies do almost all their grocery shopping in Bangkok. A few favored supermarkets offer a "packing for Hanoi" service. "We just zip by in a taxi on the way to the airport," a diplomat said, "and they have it all ready in cartons with our names on."

The Friday afternoon Vietnam Airlines flight from Bangkok to Hanoi was dubbed the "Villa Express" by one diplomat, in honor of a Thai supermarket. The boxes of food and drink are fussed over more lovingly than diplomatic pouches at Bangkok's airport.

Cocktail party crowds in Hanoi are regaled with stories of how a can of meat, butter, or ice cream missed a flight. It is a standing joke that flights to Vietnam from Bangkok fly at an angle because of all the canned goods at the back.



A man with a scale in Hanoi weighs people for a living.

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U.S., Europe Are Closer on Technology Exports

(Continued From Page 1)

controls to cover technologies that include personal computers above the smallest size and digital-switching telephone systems. But the United States abandoned its call that a broad range of energy-related technology should be included.

As a result, hundreds of export applications in recent months have been turned down that might previously have been approved, according to U.S. officials.

A U.S. study of the applications rejected over a one-year period shows, Mr. Perle said, that export of the equipment involved would have saved the Soviet military budget \$13 billion over the technology's life span and cost the West \$14 billion if it had tried to offset the Soviet gain.

The whole issue of technology controls, however, remains so sensitive that European officials do not like to talk about it. Governments in Europe "don't want to publicize their policies and police work because the new approach is widely perceived as a cave-in to U.S. pressure," a U.S. Customs agent explained, adding: "And they don't like admitting failures because that riles Washington."

The most sensitive country is West Germany, which is the most important industrial outlet to the East bloc and the allied nation that remains the most divided on the issue.

Bonn officials acknowledge a policy change. "We have a new outlook compared to three years ago," said Konrad Seitz, head of policy planning at the Foreign Ministry, "mainly because of U.S. concern, partly because the problem seems to be more real than many thought at first."

But other influential West Germans resist the policy change. Economics Minister Martin Bangemann has warned that additional U.S. moves to tighten trade controls would cause a political explosion.

Other European countries are much closer to U.S. views on the issue. France, which like Britain, has increased its intelligence work in this field, is alarmed about the loss of French technology to Soviet forces and to industrial competitors.

"We were able to get some of the Russians' own data on the cost-effectiveness of their industrial espionage for military purposes, and it was conclusive and alarming," said François Heisbourg, until recently director of international affairs in the Defense Ministry.

Shortly after the Socialist government took office in 1981, France established an interagency group, led by the Ministry of Defense and reporting to the prime minister, to review technology exports before they are submitted to COCOM. As a result, France "has not had a single controversial new case for a couple of years," Mr. Heisbourg said.

In 1982, France expelled 47 Soviet diplomats, most of whom were engaged in industrial espionage. French intelligence reports about the problem circulated in Europe, providing independent corroboration of the Reagan administration's warnings. Britain and West Germany have established national lists of sensitive technology.

Neutral countries, including Austria, Sweden, India and Switzerland, have all quietly agreed to clamp down on technology smuggling rather than risk a cutoff of U.S. technology.

The new rules are being better enforced. In Britain, a crack customs unit, known as the "A-team" or Project Arrow, has been set up along the lines of the U.S. program. Operation Exodus, to halt outgoing technology, four offenders have been jailed in the last two months.

France and Sweden have sharply increased their budgets and staff for intelligence and enforcement on technology issues.

In Sweden, more vigorous investigations have brought to light a backlog of problems. Now "the government is determined to stop Sweden from being a smuggler's base for illegal strategic goods," said Lars Ståhlberg, undersecretary at the Foreign Affairs Ministry.

Politically, West Germany is the country with the deepest conflicts over the issue. A strong lobby wants to avoid jeopardizing trade with Eastern Europe, which underpins important political and emotional ties. But other strong groups argue that West Germany cannot

jeopardize its high-technology ties to the United States by appearing "soft" on technology transfer.

The Interior Ministry recently leaked information about the Soviet Union's "Red Book," a secret shopping list of Western technology for Soviet diplomats. The book, thick as a big-city telephone directory, lists target technologies and contains instructions about how to circumvent Western regulations.

Although the book has been in the hands of Western intelligence services for more than a year, West Germany's Interior Ministry timed its disclosure to coincide with a meeting in Bonn of the West German-Soviet joint trade commission. The move seemed to be an effort to embarrass West German proponents of relaxing controls in the interest of freer trade.

West Germany, unlike its neighbors, has not assigned more manpower to combat technology leaks. But its courts have begun to hand down jail terms, not just fines, for trade violations.

But the Reagan administration still is using arm-twisting tactics in West Germany of the kind that marked the initial, turbulent phases of the U.S. campaign. A Cyber supercomputer, made by Control Data Corp., is being withheld from the weather laboratory at the prestigious Max Planck Institute in Hamburg.

The U.S. authorities are demanding that German researchers undergo security checks before the machine is put at their disposal.

Similar tactics were employed against France early in the Reagan administration, when Cray supercomputers were withheld from the Atomic Energy Commissariat. Once "we were confident that France would protect the technology, we cleared their delivery," said a U.S. official involved in the process.

(The official denied a report last weekend in the U.S. newspaper Newsday that the computers were delivered in exchange for French political support for NATO and the deployment of new NATO intermediate missiles in Europe in 1983.)

Currently, Spain is being similarly pressured. Because Spain, although a NATO country, has not joined COCOM, the U.S. government is set to block an American Telephone & Telegraph Co. contract to build a microchip plant in Spain unless the Spanish government agrees to cooperate on trade controls.

The intrusive U.S. approach, associated with the Pentagon and particularly with Mr. Perle, has created bitter resistance among the U.S. allies. Britain and West Ger-

U.S., Europe Are Closer on Technology Exports

(Continued From Page 1)

many have criticized what they call U.S. concepts of "extraterritoriality," a phrase extending American attempts to extend its laws over goods sold to foreign companies under U.S. export licenses.

"Since we are allies, with a membership in COCOM," said a senior British official, "there is no justification for this unilateral intrusion in our affairs."

Some of the heat has gone out of the issue as the Reagan administration has focused on military issues. The administration, Mr. Heisbourg said, "seems to have learned from the Siberian pipeline fiasco, when we exported our technology despite U.S. opposition, that it has to draw lines in the dust clearly and sensibly."

The more finely tuned U.S. approach appeared last summer in Belgium, where the Pentagon agreed to pay \$700,000 to prevent a computer-controlled lathe from being sold to a Soviet factory that U.S. intelligence reports say is manufacturing SS-20 missile components.

The Belgian manufacturer, Peugeot, which had been set up to provide high-technology jobs in a depressed region, had said that workers' jobs depended on the sale; so the Reagan administration paid the surcharge that the Soviet customer was willing to pay for it. Now the Reagan administration is trying to resell the lathe to China and hoping the case will not set a precedent.

As the Reagan administration tries to develop a solid front among industrial countries, neutral countries sometimes present fewer problems than the allies.

"We have no problem of 'extraterritoriality' because it is not a government-to-government issue," said Mr. Ståhlberg in his Stockholm office. Since neutral countries are not in COCOM, the governments can let their companies comply with any U.S. laws that are covered in licensing agreements.

What worries companies in neutral countries, a Swedish executive said, is "that the United States or European countries, in the COCOM meetings, will lead the rules in favor of themselves and discriminate against neutrals."

China is the focus of this worry. Several executives cited a COCOM license for telecommunications sales to China granted just when the Belgian subsidiary of ITT was ready to sign a contract.

So far, a Swedish executive said, Sweden is satisfied that the new arrangements are working equitably for all Western countries.

If the United States wants cooperation from neutral countries' governments and companies, Swedish executives said, "We must be confident that we are being treated fairly."

For the moment, the U.S. emphasis on restrictions seems to have prevailed over U.S. and European critics, who argue that the West's best policy is to let technology flow freely, so the West's superior ability to apply technology will safeguard NATO's edge in weapons quality.

The trouble with this policy of "achievement," according to Mr. Perle and like-minded Europeans, is that Western technology can enable the Soviet military to "cross critical thresholds — once they can see in the dark with sophisticated devices, it doesn't matter much that you can see better in the dark."

ARTS / LEISURE

Mixing Food and Philanthropy

By Carol Lawson
New York Times Service

NEW YORK — When Paul Newman began what was for an actor the unlikely business of bottling and selling his home-made salad dressing, he made a promise: he would donate the profits to charities. Two and a half years later things are working out just as he expected.

What Newman did not expect, however, was how successful his culinary enterprise, which has grown into a multinational corporation, would be. With the profits last year being turned over to charities, Newman, who is also a director and race car driver, can now say that he is a multimillion-dollar philanthropist.

His food company, which he says began in his basement "as an inside joke," has generated profits of nearly \$4 million, all of which have been given away. In 1984 alone, Newman collected and disbursed \$1.9 million. The profits came not only from the salad dressing, but from two other items that have been added to the "Newman's Own" line of products, spaghetti sauce and popcorn.

Last year profits from the Newman products went to 80 medical, cultural, social and environmental

organizations in the United States and overseas. Recipients ranged from a drug prevention program for teen-agers to a relief effort for Ethiopian famine victims, the Actors Studio, the Cystic Fibrosis Foundation, several programs that help children with cancer and a group of children of migrant laborers in Florida who needed a new school bus.

The decision on how to distribute the money is made by Newman, who is president of the company, and his partner, A. E. Hotchner. A longtime friend, Hotchner is the vice president and treasurer of the company. He is also an author and an authority on Hemingway.

Over their board table, which is actually a Ping-Pong table, in their tiny Westport, Connecticut headquarters, Newman and Hotchner recently sifted through requests from more than 700 charities last year. "We give to little charities, not to mainstream charities," Hotchner said. "We give to the very old and the very young. You can pinpoint your giving if you really care about it. You can help a particular group, a particular cause."

"We've discovered that being philanthropic is more difficult than being an actor or a writer," he

added. "It's almost a full-time job."

The two largest grants last year went to the University of Southern California's Scott Newman Center, which received \$300,000 for its drug prevention program for teen-agers, and Catholic Relief Services, which received \$250,000 for its efforts to aid famine victims in Ethiopia. The Scott Newman Center is named for Newman's son, who died from a drug overdose.

Newman said he decided to give the profits away because "it would be really tacky for us to become food entrepreneurs."

"It is bad enough we sell ourselves on film and on pages," he said. "We shouldn't sell ourselves on food shelves. If we give the money back to the people who support us, then no one can call us tacky."

The salad dressing is made in factories near San Francisco and Los Angeles, and in Boston. It is labeled as "Faitail de vinaigre et de l'huile — l'huile et le vinaigre des étoiles" (the star of oil and vinegar and the oil and vinegar of the stars).

The spaghetti sauce, which is called Newman's Own Industrial Strength Venetian Spaghetti Sauce, comes in two varieties, with or without mushrooms. It is made in factories in Buffalo and Toronto.

There are also factories in Australia and Japan that are producing Newman products.

"We put up \$40,000 to start the company, and we got it all back in two weeks," Hotchner said. "Our intention was to put the salad dressing in the gourmet food stores in Westport for the fun of it. Three weeks later, we were getting calls from the A. & P. Neither of us could believe it took off the way it did."

Only a few months after starting his company, Newman devised a new formula for his salad dressing after Mimi Sheraton, the food critic, said it had an "unpleasant oily



Paul Newman: An "inside joke" pays off.

feel" and "overpowering dehydrated onion and garlic flavors."

"Paul changed it completely," Hotchner said. "We have nothing but all-natural foods."

The company, which operates in offices furnished with lounge chairs from Newman's swimming pool, has a tiny staff consisting of a part-time bookkeeper and a part-time secretary. Its growth has been made possible through its alliance with Advantage Food, a food brokerage company in Port Washington, New York.

"They take the orders and sell the products," Hotchner said. "They send the orders to the fac-

ories, and the factories send the products direct to the buyers. They deal with 80 percent of the large supermarkets in the country."

"Advantage Food has had to hire more people," Hotchner added. "They are stunned by what has happened to them."

Hotchner reported that he and Newman have received several offers to purchase their company. "We have been offered countless millions to be bought out," he said. "Beatrice Food inquired about our availability. We won't meet with them. It's more fun to have a couple of humbling idiots running the company."

Gogol's 'The Government Inspector': A Feverish, Funny Nightmare of Fear

By Michael Billington
International Herald Tribune

LONDON — Easily the most dramatic event in the London theater last week was a speech by Sir Peter Hall, director of the National Theater, at a drama awards lunch. Speaking with quiet fury, Hall warned that impending government cutbacks to the arts would crucify the subsidized theater, dismantle 30 years of sustained achievement and deter tourists by turning Britain into "a little America."

He said later that unless extra funds were forthcoming, the National would have to close one of its theaters in April and abandon all touring.

Hall is right. The whole subsidized theater is on a knife-edge. But for the moment, the effects are not visible, as the National has proved by launching a spectacular, feverish, often funny production in the Olivier theater of Gogol's 1836 classic, "The Government Inspector."

The casting of Rik Mayall, a 26-year-old television comic, as the St. Petersburg clerk mistaken for a prying government official, guarantees the laughs. But the original feature of Richard Eyre's production is that it presents Gogol's play as much more than a comedy of mistaken identity. It emerges instead as a nightmarish study of a fear-ridden provincial town dominated by paranoia and paperwork.

John Gunter's set makes this point before a word has been spoken. The stage is dominated by a vast fly-blown piece of yellowing parchment, by mountains of piled-up ledgers and pencils the size of lamp-standards: it is like a lilliputian view of a super-bureaucracy.

A blown-up image of a snarling inspector general shatters the parchment, smoke fills the stage, and through it emerges a group of

perfidious provincial officials seated around a paper-strewn table and looking like figures seen in a distorting fairground mirror. Eyre and Gunter have interpreted literally Vladimir Nabokov's point that "the play begins with a blinding

THE LONDON STAGE

flash of lightning and ends in a thunderclap." What occupies the interim is a mad, bad dream.

The production is based on an extremely intelligent idea: that a society governed by terror is ripe for takeover by an impostor. The only problem in practice is that Rik Mayall plays Khlestakov, the petty clerk with delusions of grandeur, as too palpably a psychopath. He is admittedly very funny with his cascade of hair that looks like a forest fire, his wide, peg-top trousers and his sudden seething rage. He has the unshakable ego of a furious child; when the governor suggests he might inspect the town's institutions, he screams, "What have you got?" and the response is so violently disproportionate it makes one laugh.

But Khlestakov should grow from a booby into a fantasist. What Mayall presents us with, from the start, is an insecure psychotic, and when the governor's wife praises his St. Petersburg sophistication, after he has leaped frenziedly on a tabletop and smashed her husband's bust to smithereens, you feel she is the one in need of attention. But although a good idea is pushed too far through Mayall's ultra-modern, head-banging comic style, he makes a perfect exit. Mauching Gogol's own fantasy (from "Dead Souls") of flying in a troika, he floats off into space still burbling his dreams of omnipotence.

Adrian Mitchell has also come up with a sprightly new translation of the play full of funny one-liners, and Jim Broadbent as the provincial governor successfully holds his own against Mayall's comic onslaught, turning the character into a petrified creep only too happy to exact savage revenge when he thinks his time has come. For all its occasional excess, it is a much sharper production than the one I saw at the Moscow Sature theater two years ago; and when the aghast townsfolk finally retreat into darkness at the arrival of the real inspector-general, you get a thrilling sense of the stark panic at the heart of Czarist Russia.

While the National gives us Gogol, the tiny Orange Tree theater, Richmond, revives Alexander Ostrovsky's "The Diary of a Scound-

rel," written in 1868. It is the story of a calculating Muscovite opportunist trying to wheedle his way into a civil service job and find a bride with a fat dowry; his one mistake is to commit his private thoughts about Russian hypocrisy to a diary ultimately discovered by his benefactors. Gogol's not dissimilar "Government Inspector" is a masterpiece precisely because it gives you a shivering sense of the Russian nightmare; Ostrovsky's play is merely mild social comedy about a world full of ingratitude and corruption.

However, it is worth exploring the byways as well as the highways of world drama; and Ostrovsky paints a lively picture of a bent bureaucracy where the civil service is a safe haven for mediocrities and where the serfs are liberated but still cruelly patronized. Peter Rowe's production, given in Rodney Ackland's 1949 translation, is penny-plain but boasts a couple of animated performances from Paul Bradley as the upwardly mobile hero (an ancestor of Joe Lampton in "Room at the Top") and from Philippa Gail as an icy sexpot who believes adultery is best kept within the family.

In theory a new play by the Polish-born, Paris-based Slawomir Mrozek should be an event. But, despite rumors that Mrozek had abandoned absurdist comedy for political reality, "A Summer's Day," given its British premiere at the Polish Theatre in Hammer-smith, turns out to be a fragile piece about the whimsical cruelty of life; it might almost be Anouilh on an off-day. Two men, representing the essence of comedy and tragedy, are rescued from suicide in a park by the arrival of a beautiful woman. The comic one ultimately dies while the tragic one gets the girl. Human character is manipulated to prove a point and the result is closer to the abstract logic of mathematics than the messy reality of life. This is a long way from the brilliance of Mrozek's "Tango." But at least Jonathan Hackett and Philip Voss play the two men to perfection even if Linda Marlowe, required to be mysterious for three acts, outdoes the Mona Lisa in enigmatic smiles.

'Cop' Still Film Favorite

LOS ANGELES — "Beverly Hills Cop" remained the favorite of U.S. movie audiences, boosting its nine-week total to \$142.7 million.

U. S. Hit by Thirsty Craze For Chocolate Fudge Soda

The Associated Press

CHICAGO — The United States is being swept by fudge fever, a thirsty frenzy for a chocolate fudge drink that contains only two calories per serving, say the beverage's makers.

"In nine days we sold 1.5 million cans," said Alan Canfield, senior vice president of Canfield's Beverage Co., which produces the soda. "Now we're way over 2 million cans in three weeks," twice the amount sold in all of 1984.

The company has been flooded by hundreds of requests for its Diet Chocolate Fudge Soda from dieting chocolate lovers, Canfield said Monday.

"We make 1,200 cans a minute. We've been running double shifts. We still can't keep up with demand."

A recent check found 33 of 35 stores were out of the drink, Canfield said. "It's a Cabbage Patch situation if I ever saw one."

The fudge soda is salt-free and made with NutraSweet.

Canfield said that recently a worker driving a Canfield company car was stopped by a police officer

who said, "I'm not going to give you a ticket. Just tell me where I can buy it."

The sweet smell of success has drawn requests for franchises, distributorships and even a few offers to buy the company, Canfield said. Stockbrokers have called to ask if the company will go public.

Meanwhile, Canfield's has shipped the drink to a few states outside its normal distribution area: Illinois, Indiana, Michigan, Wisconsin and Iowa.

Canfield attributes the craze to the United States' never-ending battle with the bulge.

"People all year have been eating and enjoying themselves," he said. "In January they decide maybe they should go on a diet."

Canfield drinks the soda and has been personally trying to keep the shelves stocked. He said he recently stopped at his neighborhood grocery to help put some cans on display.

"By the time I got to the beverage section, there was a trail of people behind me," he said. "Before I got it on the shelf, it was all gone."

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Herald Tribune

Published With The New York Times and The Washington Post

Reagan's Budget Bluster

Leaked prematurely, President Reagan's budget proposals had an immediate bad reception. Recollected in tranquility, they don't seem better. Distance does not lend enchantment to the view.

One damning criticism is that they don't face up to the problems in the years succeeding fiscal 1986 (beginning this October). Even by the end of the 1980s, when we shall all be some five years older, the deficit on present estimates will still be well over 2 percent of America's GNP, which may sound small but is far higher than a healthy American economy — not to speak of the world economy — can digest. Even this disappointing prospect is unlikely to be achieved, because the assumptions underlying it — uninterrupted fast growth plus low inflation — will prove unreal unless history takes an improbable turn for the better. Even the administration realizes this, which is why it calls the present proposals simply another down payment on the problem — just nibbling at its edges. A sad counterpoint to the Reagan cry of "if not now, when?"

For fiscal 1986 itself we are asked, inappropriately, to stay with a deficit of some \$180 billion. This is almost certainly too high to permit orderly de-escalation of interest rates and the dollar. So both will stay high — or come down in disorderly fashion as world markets lose faith in America.

Nothing stands still in our market economies, not even with a remarkably popular president and a particularly successful economic year behind you. It is worrying to see a period of doubt about American policy ahead, because doubt is the enemy of stability and prosperity. Unfortunately, the world is going to see months of partisan combat,

because anything like the expenditure cuts envisaged by Mr. Reagan will be a labor of Hercules. You cannot hope to achieve the overall economies proposed by the administration when you concentrate them on only 40 percent of the expenditure side — because you do not want to cut social security and defense, and because you cannot cut interest on the public debt.

Our alarm stems not from any special disapproval of the precise spending cuts proposed, nor from any deep desire (far from it) to see taxes raised. There is no preordained "right" pattern for expenditure programs, whether you are talking about the aged, support for the farmer, or defense. Cuts don't necessarily reduce the efficacy of a program. They may well lead to better value for each dollar spent, by cutting back administrative lassitude.

Nor is there any preordained "correct" level for the bottom line of the budget. Whether it ought to be in big deficit or small — or, indeed, in surplus — depends entirely on the state of the economy in any given year, and on the level of savings available to finance the needs of the business sector and the requirements of the government.

We dislike the budget message because all the deficits foreseen for the next few years seem too big to be financed without relying on a continued heavy inflow of money from abroad, requiring American interest rates to stay inappropriately high, with damaging effects for America and the world as a whole. And we don't believe the proposals for the coming fiscal year have much chance of success in Congress. We may be in a syndrome that can lead to a syncope.

INTERNATIONAL HERALD TRIBUNE.

A Return to the Middle Ages in Sudan

By Colin Legum

LONDON — It is never possible, or wise, to predict the immediate of the downfall of a leader in the Third World; but it would be surprising if President Gaafar Nimeiri of Sudan has not hastened the end of his regime by his decision to order the hanging of Mahmoud Mohammed Taha, the respected sage of the Republican Brothers, for the crime of heresy.

Heretics have not been hanged in Islamic societies since medieval times; it is doubtful whether even under Ayatollah Ruhollah Khomeini's Shiite revolution Moslems have been put to death as heretics. In Sudan — one of the most tolerant and civilized of Moslem societies — General Nimeiri's act marked the culmination of his fanatical determination to set back the clock to the Middle Ages which began with his high-handed action in turning the country into an Islamic Republic and introducing sharia laws.

Not only did his action deepen the cultural cleavage between the mainly Islamic North and the mainly Christian and animistic South; it also divided the Moslems — the modern-minded believers from the Moslem fundamentalists, and the secularists from mosque attenders.

One of the consequences of his action was to strengthen the incipient revolt in the South, which has now developed to the dangerous point for the country where General Nimeiri himself admitted, in an interview on Jan. 21, that the security situation is "very bad," and that his army has been pushed into what he termed "a defensive posture."

What this means, in fact, is that his army is not engaged in a war that cannot be won militarily; and since the challenging Sudan People's Liberation Army insists that it

will not negotiate with Khartoum so long as General Nimeiri remains president, the political outlook is — to put it mildly — unpromising.

The hanging of Mr. Taha has not only outraged foreigners — Moslems and non-Moslems — but according to the influential sources inside the country, it has deeply offended Sudanese Moslems and non-Moslems. They speak of the hanging as a national crime which has tarnished Sudan's reputation.

There is also a sense of deep outrage over the cruelty of forcing four of Mr. Taha's disciples, who had been sentenced to death with him, to recant their beliefs by forcing them to witness the public execution of their leader and giving them three days in which to repent.

Influential Sudanese say it is unthinkable that President Reagan should agree to receive General Nimeiri when he visits the United States on March 1. They argue that for Mr. Reagan to shake General Nimeiri's hand would amount to acceptance of the medieval practices of the Sudanese leader.

"How is it possible," they ask, "for President Reagan to denounce the barbarities of Ayatollah Khomeini while, at the same time, showing friendship for Nimeiri?"

It would be difficult to exaggerate the strength of feeling among Sudanese of all political and religious persuasions over continued American support for General Nimeiri.

The Republican Brothers do not command extensive support in Sudan. They can count, at most, on a few thousand supporters. But if Mr. Taha's philosophy and religious views have failed to win much support in the 40 years of its existence,

his moral strength and integrity have become a beacon in a country where the harshness of the laws against dissent has put any political activism at a premium.

In such a political environment, Mr. Taha came to assume the status of a Gandhi. Like the Indian martyr, he had consistently advocated that "the price of freedom is the continuous, sleepless sustenance of, and alertness for it, by each and



every individual." For his beliefs he was imprisoned by the British and by the Sudanese. But, throughout the 40 years of his struggle, he maintained a philosophic calm and good humor. Even when he was sentenced to death he received the verdict with a gentle smile, having stubbornly refused to defend himself in the court on the grounds that it was unconstitutional and that the judges were "unqualified and technically incompetent."

The main charge against Mr. Taha and his colleagues was that

they had distributed leaflets and organized peaceful chanting (zikir) circles in the capital. The offending leaflet contained three specific demands: abolition of the 1983 "so-called" Islamic laws because they conflict with religion and the country's constitution, and are harmful to national integration and to the right of individuals; a political solution to the question of southern Sudan; and advocacy of the Islamic teachings of Sunnah codes, which are more humanitarian than the 7th century (sharia) codes, considered unsuitable to the 20th century.

The leaflet called for the halting of bloodshed in the south and for the implementation of a peaceful, political solution. "This," it said, "was the national duty of both the government and the armed Southerners." It called for recognition of the fact that the south faces a problem.

Explaining the stand of the Republican Brothers, the offending leaflet said that under sharia laws, non-Moslem believers do not have equal rights. "It is not enough for a citizen today merely to enjoy freedom of worship, he is entitled to enjoy the full rights of a citizen in total equity with all other citizens."

In General Nimeiri's Sudan such views are treated as heresy and its advocates are punished by hanging; in democratic societies such views are considered normal and held up as an example. Indeed "action by example" was the vision prescribed by the martyred Mr. Taha.

General Nimeiri has ordered that all of Mr. Taha's writings and all the literature of the Republican Brothers should be considered illegal. The police have been ordered to collect them up and burn them.

International Herald Tribune.

Philippines Puts Blame On IMF

By Mark R. Thompson and Gregory W. Slayton

MANILA — Like in other Third World countries where IMF programs have brought painful austerity measures, many people in the Philippines are blaming the International Monetary Fund for their present economic difficulties. Devaluation, tight credit and the erosion of buying power are all seen as the result of strict IMF decisions.

Yet tough fund conditions for a standby credit are hardly a cause of the current crisis; they are merely a consequence of an economic situation — the country's worst since the end of World War II.

But if the IMF's bitter economic medicine is not to be blamed, its lack of preventive care under almost continuous credit programs with the Philippines since 1962 can certainly be faulted. Had more stringent policies been applied earlier, the draconian measures necessary now might well have been avoided.

A review of past IMF programs with the Philippines reveals:

• Fund programs in the 1960s did not impose tight demand management or strict limits on foreign borrowing, allowing the first Marcos administration to pursue expansionist monetary and fiscal policies and increase foreign debt by 26 percent a year. The result: an economic crisis in 1970 that leads one to view current difficulties with considerable déjà vu.

• The IMF did not take firm action when the government failed to control a rapid expansion in liquidity associated with the commodity price boom of 1973. The fund programmed an even heavier increase in credit into the next year's standby arrangement.

• The fund failed to enforce the conditions of a three-year credit (1976-78) designed to bring needed structural change to the Philippine economy. When tariff reform — necessary to shift resources from a heavily protected, inefficient import substitution sector towards exports — was blocked by special interests, the IMF did not demand of the government that credit terms be observed.

• In 1980, when the Philippines obviously needed to adjust to a rapidly deteriorating external situation — the second oil shock and world recession — the IMF granted the country a two-year credit under terms that in hindsight seem disastrously lenient. No devaluation was programmed even though the peso had appreciated the year before and its value would continue to rise in real terms throughout the period covered by the agreement. Two performance criteria, one with the fund's permission, were exceeded by mid-1980 and another on credit was widely missed in 1981. A fourth criteria limiting foreign borrowing proved to be the Waterloo of an already weak program as the government simply shifted to short-term debt which the fund did not monitor.

The failure of IMF programs to bring much adjustment in the Philippine economy before crisis had already occurred is due in large part to the government's apparent lack of interest in conventional economic stabilization measures. Gregorio Lloren, the central bank governor in the 1970s, was said to have regarded the IMF as "no strings attached balance of payments loans."

But the government was not only interested in IMF money, it also wanted the fund's so-called "good housekeeping seal of approval." As a World Bank document says: "The government regards the IMF's role as essential not only for the large volume of resources provided, but also for the reassurance on economic management provided to private sources of finance." IMF credits improved the country's image which was important "because in banking, like anything else, there are fads... the credit of a particular country becomes hot in the market."

The Philippines, at high levels of foreign loans, became a fad in foreign financial circles. This allowed the country to achieve relatively high levels of growth throughout the 1970s without much structural adjustment. If the government was more concerned with the fund's "seal of approval" than with real adjustment, why did the IMF conclude an almost unbroken series of credit with the Philippines for over two decades?

• Some extent the fund was simply fooled. The recently discovered \$1.2 billion overstatement of international reserves masked the extent of the deterioration in the external account until 1984. Short-term loans were not fully monitored until then.

The IMF, then, is partly to blame for the Philippine crisis in that its light conditionality allowed the Philippines to use its "seal of approval" to secure large loans which enabled the country to postpone adjustment. More stringent policies might well have prevented the present debacle.

The writers are both recent graduate students at the University of the Philippines. They contributed this comment to the International Herald Tribune.

LETTER

Only 10-Percent Dead

Regarding the analysis "Search for Security: The Case for the Strategic Defense Initiative" (Jan. 28) by Zbigniew Brzezinski, Robert Jastrow and Max M. Kampelman:

What about the authors' arithmetic? A 90-percent-effective defense shield may look great on a computer printout, but people are not 10-percent dead after being hit by 10-percent of the bombs that get through. A nuclear shield does not end the need to build more bombs so that 10 percent will be enough.

TIMOTHY DEVINNEY, Athens.

Make OPEC Pay Our Debt

The world is awash in oil. With or without OPEC's permission, prices are tumbling.

Twice in a decade the oil exporters have exploited political crises in the Mideast with shocking increases in oil prices, triggering recessions that cost the world a trillion dollars lost production. Now economic reality has intervened. At the official cartel price of \$29 a barrel, supply far exceeds demand. Saudi Arabia, which single-handedly kept prices up by limiting exports, seems to have lost control.

But as nice as it is to see monopolists in trouble, crowding about OPEC's problems distracts attention from the golden opportunity offered by falling oil prices. Congress could insure that the Organization of Petroleum Exporting Countries remains on the run, and also raise revenues by taxing imported oil.

Two years ago, gasoline prices hovered at about \$1.25 a gallon. Now gas is available for less than a dollar. If hearse industry analysts are correct and the world supply of oil increases, prices to consumers, adjusted for inflation, will soon fall to the mid-1960s level!

Why not sit back and enjoy it? First, because the oil glut won't last unless steps are taken to prolong it. Oil will be plentiful for several years, but the long-term outlook remains bleak. It is a depleting resource and

there is still no practical substitute for it as transportation fuel. Moreover, most remaining reserves of oil that can be exploited at low cost are in politically unstable countries. Thus if demand keeps inching up toward the limits of potential production, a repeat of the 1974 or 1979 oil shocks becomes ever more likely.

There is another reason not to sit on our ghat. A program to contain the demand for oil could yield a timely bonus: tax revenue. America badly needs to reduce its budget deficit, \$200 billion and growing. A duty of, say, \$10 a barrel on imports would yield about \$20 billion directly and generate \$25 billion more in higher income and windfall taxes on domestic oil. Best of all, much of the revenue would come from OPEC's pockets; conservation would cut the price for oil and diminish the incentive for Saudi Arabia to limit output.

Conventional wisdom says Americans will not stand for a tax at the pump. But compare the pain of such a tax with the pain of draconian spending cuts — or of higher income taxes. A \$10-a-barrel import tax would raise a lot of revenue, put OPEC to rout and still leave gasoline prices lower than they were in 1982. Never has there been a better moment to strike a blow for energy independence.

— THE NEW YORK TIMES.

'Star Wars' Debate Reaches More Serious Orbit

By Philip Geyelin

WASHINGTON — The fate of President Reagan's Strategic Defense Initiative (also known as "Star Wars") is probably going to turn on unpredictable technology — or diplomacy — in the end. In the meantime, owing in large part to two high-powered, high-profile exchanges, a certain sanity has at least been restored to the debate.

The opening volley came from former Defense Secretary Robert McNamara, Soviet expert George Kennan, one-time national security advisor McGeorge Bundy and ex-arms controller Gerard Smith (known as the Gang of Four). They said the Strategic Defense Initiative as originally presented was a "dream" and ought to be abandoned.

This has now drawn heavy counterfire from Jimmy Carter's national security advisor, Zbigniew Brzezinski, Dartmouth physicist Robert Jastrow, and Max Kampelman, whose recent appointment as the top U.S. arms-control negotiator in the forthcoming U.S.-Soviet negotiations gives their joint effort a Reagan administration imprimatur. Mr. Reagan's defenders insist that "the idea of basing our security on the ability to defend ourselves deserves serious consideration." So it does.

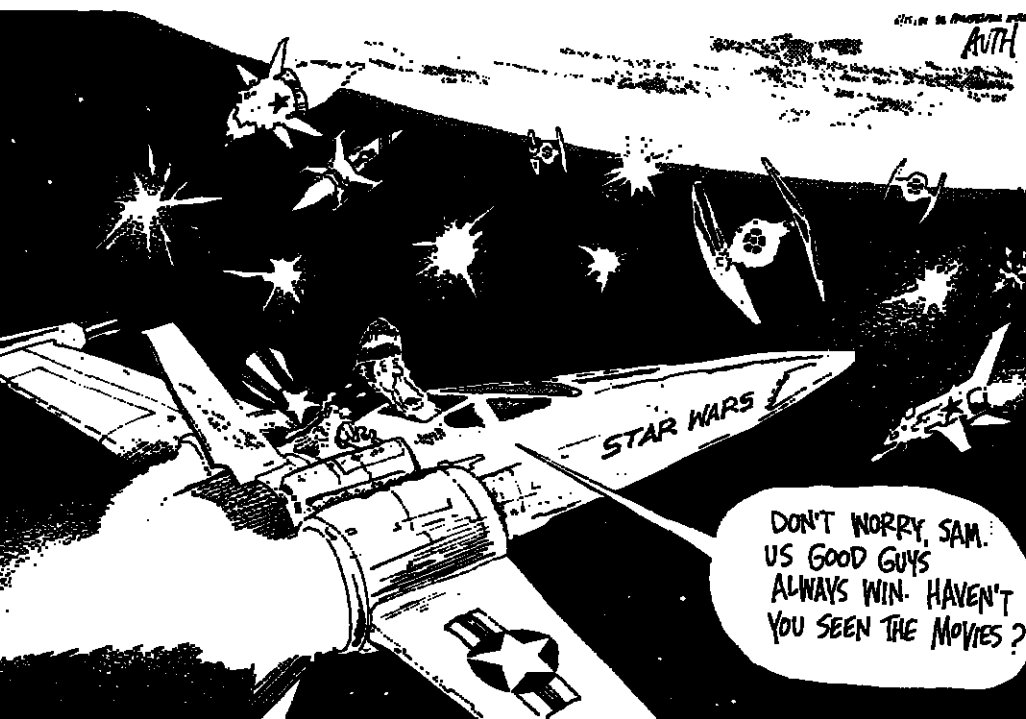
In fact, that is what has been the matter all along. This is not to say that the Four were any less serious than the Three. Together, these and other recent contributions from both sides have gone a long way toward getting the round-and-round debate over "Star Wars" back into a steady, serious orbit. One way to keep it there is to keep in mind how and why the whole idea spun so far out of orbit.

The problem started on the launching pad. How many remember exactly what was the president said that gave rise to the mischievous nickname, "Star Wars"? I'll confess I didn't. Having gone back and looked it up, I'll also concede that it is not all that far out — when you reread it today in the context of what his managers now tell us that he really meant.

The trouble was that Mr. Reagan himself clearly did not know nearly enough about what he really meant at the time. His purpose for going on nationwide television was political — an admitted appeal for public support, over the heads of congressional doubters, for his defense program. He was asking for more — and more devastating — weaponry. And so, in a brief, almost personal, passage at the end of some pretty hairy stuff about the Soviet threat, he offered the vision of a nuclear-free world as sugar-coating for the bitter pill of a world on a nuclear hair-trigger.

There was light at the end of the tunnel, he was saying. But, in fairness, he was careful to say that the tunnel's end he had in mind lay somewhere around the turn of the century. He acknowledged that the development of a nuclear defense system would be a "formidable technical task [that] will take years, maybe decades." There will be failures, setbacks. "He was careful, at least once, to talk about defenses only against 'strategic ballistic missiles,' leaving horrendous holes in the anti-nuclear shield he was offering.

But he also spoke about "eliminating a threat posed by strategic nuclear missiles," presumably thereby including air-breathing cruise missiles.



He was "sharing a vision" of "rendering these nuclear weapons impotent and obsolete" — of "changing the course of human history."

Small wonder that attention centered on the sci-fi, pie-in-the-sky at the expense of the fine print that is only now being carefully spelled out in official White House briefing papers as well as in the Brzezinski-Jastrow-Kampelman article. This is all the more so when you think back on Mr. Reagan's embellishment of his "vision" in the second, foreign policy, debate in the October campaign. Then, he claimed we could develop our own nuclear-defense technology to such an advanced state that we would be in a position to shatter it with the Soviet Union and end, once and for all, to the threat of nuclear war.

We do not hear much about that anymore. Rather, what we are now getting is a carefully crafted "new strategic concept." Prepared for Secretary of State George Shultz to present to Soviet Foreign Minister Andrei Gromyko at Geneva, it was called pointedly to public notice the other day in a press briefing by Mr.

Shultz's principal arms-control advisor, Paul Nitze.

The new, official line projects a 10-year effort to "seek a radical reduction in the number and power of existing and planned offensive and defensive nuclear arms, whether land-based, space-based or otherwise." Then would come "a period of transition, beginning possibly ten years from now, to effective, non-nuclear defensive forces, including defenses against offensive nuclear weapons. This period of transition should lead to the eventual elimination of nuclear arms both offensive and defensive. A nuclear-free world is an ultimate objective to which we, the Soviet Union and all other nations can agree."

Reasonable people can argue with the practicality of even that proposition. But if that's the way it had been put forward on March 23, 1983 — with a judicious background briefing — we would almost certainly have been spared months of argument over something as senseless as the image conjured up by "Star Wars."

Washington Post Writers Group.

New Cures for Old Ills of Poverty, Unemployment

By Francis Blanchard

The writer is director-general of the International Labor Organization. He contributed this view to the International Herald Tribune.

It is a depressing picture of deterioration in the world labor situation. There is a declining trade union membership, unequal wages and work opportunities for women, a heavy accident toll particularly of Third World workers, an increasing mass of young men and women heading towards the scrap heap because of

everyday life. Traditional approaches to economic problems which could have produced results in the pre-military era are no longer effective in tackling our present-day problems. The emergence of machines which can take over the work of tens or even hundreds of employees have led to the immense problem of retraining

The seeds of social unrest cannot be destroyed merely by policies for economic improvement.

lack of appropriate training and the prevalence of forced labor.

I have initiated action to convene, under ILO auspices, a conference of ministers of labor, finance and planning, as well as with senior officials of international organizations concerned with financial, monetary and trade policies, to discuss and find solutions to these problems of unemployment and poverty. International conferences have often tended to be mere forums for public debates, but the agenda for the meeting I propose will focus on ways of linking social development to financial and economic policies. Social aspects of development cannot be divorced from financial and monetary policies.

The fast pace of technological progress in recent years has revolutionized the norms and modes of our

the redundant work force to make them play a productive role in society. Tens of millions of young school-leavers find themselves ill-equipped, without appropriate vocational training, to secure entry into the world of work. Unless they are helped to acquire the necessary skills, nations will find themselves facing a dangerous explosive situation with a revolt of frustrated youth on their hands.

Nations, policy planners and international organizations concerned with these social problems need to reorient their policies and approaches to tackle the issues that confront us today. The ILO programs and projects for the next biennium (1986-87) reflect this trend.

Employment and development remain the main focus of these programs, but special attention is being

Other Opinion

The Challenge on Trade

There is no quick and easy remedy to the staggering trade deficit accumulated by the United States last year, because it is both an integral part of the nation's resurgent prosperity and part of more complex economic problems that have resisted efforts at correction.

History is repeating itself in a curious way. The nation has not known such a prolonged period of trade deficits, nine consecutive years for 110 years — not since the era when heavy importation was essential to bringing the industrial revolution to America. Now, paradoxically, the United States is again in some ways like a distant colony — agricultural commodities a major export, manufactured goods a major import. In fact, foreign manufactured goods shipped to the United States increased so rapidly in 1984 that they constituted 22 percent of the American market.

Implicit in a \$123.3-billion deficit are serious economic losses. Some people have calculated that it represents the loss of 2.5 million jobs. For that reason alone there is a temptation to impose more protection, a tariff

wall to contain the flood of imports. But protection will do more harm than good.

In the search for a remedy the nation must keep in mind the advantages as well as the disadvantages of trade deficits. The most important advantage is the effect of the imports on inflation — an important factor in the achievement of three consecutive years with an annual rate of inflation below 4 percent.

But there is no question that American companies that are moving into world trade face serious handicaps for their exports. The high value of the dollar is the most critical one. Despite these handicaps, there was substantial growth last year in American exports — up 8.7 percent to a total of \$217.9 billion, the third highest yet, and near the \$237-billion record which was achieved during 1981.

The restoration of growth in exports, an area too long neglected by many American businesses, signals important employment opportunities. That export growth also justifies the Reagan policy of trying to avoid protectionist measures while assuring fair access of American exports to foreign markets.

— The Los Angeles Times.

FROM OUR FEB. 6 PAGES, 75 AND 50 YEARS AGO

1910: Universal Suffrage in Prussia?

PARIS — The Prussian Government introduced a bill [on Feb. 5] for the reform of the electoral system. Recently there have been armed conflicts between the police and the Socialists. The result has been a fresh instance of the saying, "The mountain was in labor, and has brought forth a ridiculous mouse." The electoral system of Prussia is the most antiquated in Europe. Electors are divided into three categories, according to the taxes they pay. Any multi-millionaire may form a category by himself. Each category elects a delegate for every 250 electors. These delegates elect the members of the Diet. The reform movement [wants] direct universal suffrage. But the present system has to now assured the Conservative majority and excluded the Socialist element, the Government continues to turn a deaf ear to all proposals to change the system.

1935: Policy Drift Hurts Democracy

PARIS — One of the most trusted of the representatives of British rule in India speaking at a lunch recently about the difficulties attendant upon the development of democracy, emphasized the perplexity and uncertainty caused by fluctuations in policy. The dangers thus created in the life of a nation are familiar to us all, especially those who have followed world history during the last twenty years. They have seen nations plunge from expenditure to economy, from militarism to pacifism, from alliances to isolation, from friendship to hostility, as public opinion was swayed this way or that and through the mechanism of democratic government not in control of the policy of the State. The paralysis of initiative, the waste of energy, the perplexity of decision these changes bring about are so widespread that every nation tries to avoid them.

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INSIGHTS

On a N.Y. Block, Homeless 'Neighbors' Vex Residents

By William E. Geist
New York Times Service

NEW YORK — A vexing national urban problem has come to roost on West 11th Street, and it is Harold. Harold might be more easily described as homeless if he were not so insistent about having one. "My home is New York City," said the unkempt man with long, scraggly black hair who looks to be about 25 years old. "I live here like everybody else."

Not quite. He lives on a nicer street than most, a picturesque block lined with trees, heavy ornamental iron fences and million-dollar brownstones and town houses — albeit on the sidewalk.

He is wintering on a choice location, a sidewalk grating with an updraft of balmy, tropical exhaust — "feels like it's from the laundry room," he said — from Saint Vincent's Hospital and Medical Center. Harold often leaves shoes and other belongings there to hold his claim on the spot, and he tries to return in early evening, before someone else takes it.

What is almost too good to be true is that there is a house on his little patch of property, a big metal box, about four feet square and five feet tall (1.2 meters square and 1.5 meters tall), designed by a neighbor across the street to cover the grate and keep people like Harold from living there.

It is in the shape of an old cash register, with a curved front that makes for terribly uncomfortable lounging. But Harold found a way to sleep on the top part of the box and then a way to get inside.

The presence of Harold and others like him on the block has prompted some spirited discussions among block residents, some of

whom find their concern for the homeless heightened and others who now think that "the homeless should be locked up," in one man's words.

"It's different," said a passerby, who stopped recently in front of Harold's box, "when they live in front of your house than

There was the wild man who woke the neighborhood nearly every night with loud obscenities. "It was like Walter Cronkite gone berserk," a resident said.

when you see them on the TV news." A woman companion asked, "Why doesn't he get out of here and go to a shelter where he belongs?"

Others on the block, such as Steven Gaines, can be sharply critical of neighbors who react this way, but Mr. Gaines said it also was a mistake to romanticize the homeless. He said the issue of the homeless living on the block was far from cosmetic. "They foul the streets in every conceivable manner," he said.

There is, for instance, the matter of the wild man who lived on the sidewalk for about two years who had the habit of waking the neighborhood nearly every night yelling loud,

graphic obscenities. "The man's voice was unbearably deep and strong," said Harriet Heyman, another resident.

"It was like Walter Cronkite gone berserk," she said, referring to the television journalist.

Many neighbors rallied at hospital officials to do something about the screaming man at their property, but no matter how many times the man was chased away or escorted to shelters and emergency rooms by the police, he always returned. Mr. Gaines and others asked the hospital to put some barbed wire on the grate, which the hospital did months later.

"Then," said Dan Sorrenti, a spokesman for the hospital, "we received calls from neighbors saying how inhumane it was to put up the barbed wire. It's a real Catch-22 situation."

NOT to mention that men still put pieces of cardboard over the barbed wire and sleep there. Gerard Barry, a police officer who answers many of the neighbors' calls, said it was difficult for the police to do much if the homeless men refused to be taken to a shelter.

"It's a terribly uncomfortable position to be in," said Carl Stein, who owns a town house across from Harold's box, "to be sitting in your living room warm and comfortable and know a man is on your doorstep freezing."

Mr. Stein said his 7-year-old daughter frequently had nightmares about the screamer. "For my wife and I," he said, "it's a real dilemma. If having the homeless on the sidewalk is simply unsightly and an inconvenience, that's one thing. But when does an inconvenience become so great that it interferes with the way we live?"

Mr. Stein is an architect, and part of his work is redesigning living spaces as shelters for the homeless. "I have learned a lot," he said, "mainly that the homeless are not all deinstitutionalized mental patients by any means. A lot of them are people who can't afford housing, who cannot find a job."

"It becomes the law of survival," Mr. Gaines said. "When you can't sleep or work, it becomes you or them. The problems of living in New York mount up. You start to think about leaving. I love this city. I want to stay here."

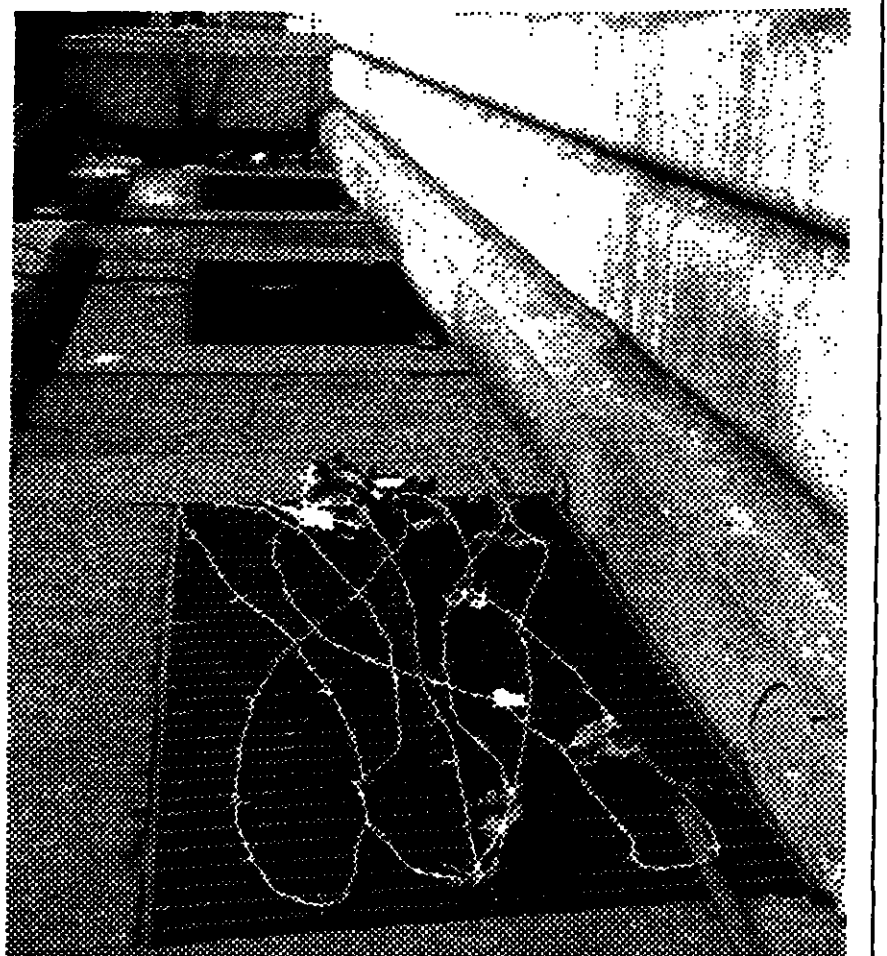
"Part of you aches for the people on the sidewalks," said Cynthia Story, another neighbor. She said she had offered some of the men clothing, but that they had refused the offers.

"People are hardening to seeing the homeless out there," she said. "We stop looking at them. That's what is frightening."

"I'm happy the screamer is gone," Miss Heyman said, "but it concerns me that no one can do anything for him. It seems we just don't care enough. That's the bottom line."

"It is," Mr. Gaines said, "the character and nature of people in this city not to care, to walk on by and not look, to not start up with somebody. The terrible thing is that after we asked for the barbed wire and got it and the screamer left, I felt sorry for him. I felt like we had evicted him from his home. I wonder where he is and if he is all right."

Out on the sidewalk, Harold was rising on a sunny, springlike day. The sidewalk next to his box was littered with cigar butts. Harold explained that he had entertained some guests the previous evening and had not had a chance to clean up.



Barbed wire covers an exhaust grate at New York's St. Vincent's Hospital.

Half a Century Later, Japanese Begin to Question 'Rape of Nanking'

By John Burgess
Washington Post Service

TOKYO — The "rape of Nanking," one of the harshest symbols of Japanese brutality during World War II, has come under increasing attack from historians and veterans' groups here as a myth fabricated by the victorious Allies.

Articles and books published in recent months concede that some atrocities took place in the city in northeastern China, which is now known as Nanjing. But they say the death toll was nowhere near the 200,000 figure cited during war crimes trials after Japan's surrender in 1945.

"It was absolutely necessary for the trials to have a crime against humanity," said Masaki Tanaka, author of a new book entitled "The Fiction of the Nanking Massacre."

"In Japan there was no Auschwitz," Mr. Tanaka said. "Therefore they needed Nanking."

The debate threatens to reopen a dispute with China. In 1982, China reacted angrily when the Japanese Ministry of Education proposed softening school textbooks' accounts of Japanese brutality in Nanking and elsewhere in China.

Japanese officials had proposed the deletion from the textbooks of precise death tolls at Nanking and to write instead that "many" deaths occurred, on the ground that accurate figures were unknown. They later agreed to restore the numbers, but they have deleted references to rape on the ground that soldiers in battle have abused women throughout history.

A relatively small group of people and organizations are publicly arguing the new Japanese case. Still, their actions and the publicity they have received offer new evidence that the Japanese are gradually dropping taboos against questioning the victors' account of their conduct in the war.

THE Japanese Imperial Army seized Manchuria, in northeastern China, in 1932. By 1937, Japan had launched attacks all over China and had quickly overrun large sections of the country.

That December, Japanese troops advanced on Nanking, the capital of the Nationalist Chinese government of Chiang Kai-shek. With hundreds of thousands of residents huddled in a "safety zone" administered by neutral foreigners, Japanese artillery and bombers pounded the walled city.

Mainstream historians say that much of the bombing and shelling was indiscriminate, and that many civilians were slaughtered in the city and on escape routes toward the Yangtze River, now known as the Chang Jiang. Mr. Tanaka and other historians who dispute the assertions counter that most civilian deaths were unintentional, and were in the heat of battle.

But much of the debate concerns what happened after the city was captured. According to testimony at the Tokyo war crimes tribunal, which in 1948 sentenced seven Japanese leaders to death and 18 to prison terms, the conquerors embarked on an orgy of murder, rape and pillage that lasted six weeks.

According to the testimony, they executed tens of thousands of prisoners of war and men suspected of being soldiers out of uniform, burned whole sections of the city and killed their inhabitants, and raped thousands of women.

For China, the "rape of Nanking" is unquestionable. Official Chinese accounts put the death toll at 300,000. A spokesman at the Chinese Embassy, noting that the Japanese invasion army's killing of large numbers of civilians and soldiers who had thrown away their weapons is a historical fact.

The new theory on Nanking was first broached in the early 1970s. Last year, a torrent of articles and debate suddenly surfaced. Advocates of the theory include some academics and veterans' groups, with the Bungei Shunju magazine, a popular monthly, giving them much space. One veterans' journal has published an article on the new theory every month since March.



Troops of the Japanese Imperial Army's 114th Division celebrate their victory over the Chinese Nationalist Army atop Nanking's city wall in December 1937.

OTHER historians, meanwhile, have countered with a campaign to prove that Japan's acts were as horrible as had been charged. This camp has been led by the powerful Asahi Shimbun newspaper group.

In December, nine Japanese scholars spent a week in Nanjing interviewing survivors and examining historical documents and sites. The group, whose members tend to reject the new position, plan to conclude a study of the incident soon.

"For many years, the people of Nanking have been trying to ascertain what happened," said Akira Fujiwara, an historian at Tokyo's Hitotsubashi University who headed the delegation. "They want to preserve the evidence."

According to the new theory, the Japanese troops were generally well disciplined after the fall of Nanking. As evidence, they point to official documents issued by a committee of 15 foreigners that administered the safety zone.

Mr. Tanaka, the historian, said the committee complained in 69 letters to the Japanese authorities of only 49 civilian deaths caused by Japanese soldiers. Mr. Tanaka said that many of these complaints were unconfirmed.

A later survey of the city and environs by Chinese students, he said, turned up only about 2,150 civilian deaths caused by Japanese.

Foreign journalists who were present in Nanking, he said, used hearsay in reporting mass executions after the occupation. In any case, he maintained, numbers quoted were nowhere near the 200,000 figure that gained legitimacy at the Tokyo trial and at a separate trial in Nanjing.

The new theory on Nanking also refers to reports that poorly disciplined Chinese soldiers on the run killed civilians, sometimes to obtain their clothes.

ATTEMPTS by attorneys for the Japanese defendants to introduce such evidence at the trials was unfairly quashed by the judges, according to Mr. Tanaka.

"The purpose of the trials was to demoralize and create a sense of criminality" in Japan, he said.

In rebuttal, the Asahi Journal, a weekly magazine owned by the Asahi Shimbun newspaper

group, recently published a 25-part series written by a reporter who spent months conducting research in China.

Entitled "The Road to Nanking," it concludes that the tribunal's account of Japanese atrocities was essentially correct.

Similar views are voiced by Tomio Hora, author of a book on Nanking and professor of history at Tokyo's Waseda University. He cited records of two Chinese organizations that operated burial squads.

"The records of these two groups show 150,000 corpses were disposed of," he said. "In addition, the Japanese Army killed many prisoners of war and threw their bodies into the river and fired on people trying to escape along the river."

Mr. Hora conceded that the burial records may be unreliable. But he estimated that about 200,000 people died in the city. That includes all deaths, of both soldiers and civilians, in combat and by execution.

His own research suggests that "the Japanese Army had no respect for the safety zone at all," he said. Reports and complaints to the Japanese without a doubt understate the extent of the real crimes, he said, because "people preferred to be silent, afraid of revenge."

The debate also has led to publication of diaries of Japanese soldiers who served at Nanking. One, put on display last summer at a Kyoto peace exhibit, told of a Dec. 14 massacre of 500 Chinese men picked from among refugees in the belief that they were soldiers who had abandoned their uniforms.

"The Chinese were too many for a platoon to kill" with rifles, the soldier wrote, "so we borrowed two heavy machine guns and six light machine guns" from a Japanese Army company. The Chinese were gunned down in front of the city wall, he said.

Mr. Hora said that execution of prisoners was common in China. Members of one Japanese regiment have reported that it killed 13,000 prisoners, he noted. Mr. Tanaka acknowledged some deaths of the sort, but said that guerrillas could legally be shot under international rules of war.

Patients Without Hope: Doctors Face Daily Dilemma of Keeping Them Alive

By Dena Kleiman
New York Times Service

NEW YORK — It was an ordinary day for Dr. David Finley, the chief of intensive care at a Manhattan hospital. There were seven terminally ill patients in his ward and he had to decide how long to keep them alive.

He called a lawyer.

Dr. Finley oversees seven doctors in an 18-bed world of tubes, capsules, wires, pumps and pins that allow modern medicine to keep the heart beating, lungs breathing, kidneys pumping and immunological system fighting — long after the body has given out.

It is the most expensive unit at St. Luke's Roosevelt Hospital, a place that sparkles with large monitors whose screens blink green squiggles and lines all day long. Buzzers, bells and gongs punctuate the otherwise soothing sound of running oxygen. It is the place where day after day, hour after hour, the most difficult new issues of dying are played out.

Of the 143 patients who died at St. Luke's Roosevelt during one typical month — June 1984 — nearly 40 percent received this highly specialized care.

The intensive-care unit is a trying place to work. A place where doctors speak in euphemisms. They talk of "levels of commitment," a phrase that measures whether a patient is worth the effort of keeping alive. They speak of "aggressive" care, reserved for those patients with hope, and care that is "supportive" for those without.

At a time when technology has made heroic life-sustaining procedures routine, doctors and nurses in the unit increasingly are finding themselves professionally and emotionally ill-prepared to undertake what amounts to a new addendum to the Hippocratic oath to "do no harm."

They are being asked not merely to preserve life at all costs, but to sometimes decide when the cost of preserving life is too high — and thus, when to shut off respirators, to withhold dialysis, to deny resuscitation. In short, they are asked to decide when life should end.

"More than ever," Dr. Finley said, "the house staff is lost. You don't have to do everything for everybody. The question is, 'Where do you stop? At what point do you say, 'What are we doing? Do we care what we are doing?'"

THE seven patients whom Dr. Finley discussed with the hospital's attorney on that ordinary morning last October were an alcoholic, a retired lawyer, a prominent interior designer, a retired butcher, a former interpreter for the U.S. Embassy in Egypt, the mother of an internationally known cardiologist, and a diletante whose home was the doorway of the Chuck Full O'Nuts restaurant at 57th Street and Eighth Avenue.

The alcoholic, who was suffering from liver disease, was in a coma, the result of her brain being deprived of oxygen the week before, when she had suddenly stopped breathing. The woman, 54, was on a respirator and her kidneys had stopped functioning. She had been resuscitated once and had been given repeated transfusions because of uncontrollable bleeding. The retired butcher, 83, also was recently resuscitated and was on a respirator. The family was demanding that he be allowed to die but his private physician wanted to do everything possible to keep him alive. Dr. Finley, as supervisor of the unit, was caught in the middle.

The retired lawyer, 77, was permanently attached to a respirator; she was dying of lung disease.

The former interpreter, 77, also suffering from lung disease, had been off and on a respirator for the last two months. He had refused to allow doctors to surgically attach the respirator tube to his windpipe, which meant he spent much of his day inside an iron lung — a machine that forces the lungs to expand and contract by creating a vacuum. His wife insisted that the doctors "do everything."

The last three patients all were in comas: the designer, 54, who had AIDS, or acquired immune deficiency syndrome; the cardiologist's mother, 84, a stroke victim in renal failure and dying of cancer, and the diletante, 65, who had suffered a stroke.

The advice of Edward S. Kornreich, the lawyer, was straightforward: When in doubt, consult the patient. When that is not possible, ask the family. In the end, always use good judgment.

It was 1:30 P.M., and Dr. Finley had called a meeting to discuss Mr. Kornreich's advice with his staff.

"I feel like this is a football huddle," said Dr. Ian Lustbader, the resident in charge, as the doctors took their seats in front of a large X-ray machine.

"That lady's dead now," Dr. Lustbader said of the alcoholic.

"I asked her husband what he wanted," a younger resident interjected. "I said, 'If your wife dies again, do you want me to resuscitate her?'"

"What did he say?" asked Dr. Finley.

"He died," said the resident.

"Well, spend more time telling him what life would be like," Dr. Finley said.

THE resident agreed to speak with the family again. "OK," Dr. Finley said, "this case is distinctly different. He is awake and alert and he has to refuse resuscitation. The family has no say in it."

"That's because he's with it," Dr. Lustbader said.

"Right," Dr. Finley said.

Dr. Finley said the retired lawyer also had to decide whether she wanted resuscitation. "But I don't think she wants it," he added.

"That's not clear to me," Dr. Lustbader said. "She could pull that little sucker right off." He was referring to the woman's ability to disconnect her respirator if she no longer wanted to live.

"The bottom line is she has to decide," Dr. Finley said. "Her wishes have to be respected. You have to cooperate within the limits of your best judgment."

"Or we can simply say we did what we could," Dr. Lustbader said.

"Who would know?" said Dr. Finley.

"Right," said a resident.

"OK — Purpura," Dr. Finley continued, referring to the interpreter, Foscolo Purpura. "We have to be up front with him and his wife. The question, he said, was not whether to resuscitate but whether to place him back on a respirator."

Then they reviewed the cases again.

"So what do you think?" Dr. Finley asked.

"I think we should all write living wills," Dr. Lustbader said sarcastically. "Today."

But now it was time to deal with these decisions — to talk again to the alcoholic's family, to broach the subject of death with the retired lawyer.

Dr. Finley said he would do it, confident that he knew the lawyer's answer.

The woman, who at one time was with the City Corporation Counsel's office, had been in the intensive-care unit since July. There was nothing medically left to be done for her, so she was on a waiting list for placement in a chronic-care facility.

She had been waiting for two months, her life measured by the rounds of nurses taking her temperature, watching her heart monitor, examining the relative gas ratios of her blood.

Her view was a room with three other beds, each connected to a heart monitor and numerous tubes and pumps. Dr. Finley was standing at the bedside of this frail woman. She acknowledged him with her large, dark eyes.

"We have to talk about a problem," he said. "And we need your help."

SHE nodded, her eyes not leaving his. "Remember we had to talk about how important it was to decide to have the trachea?" he continued, referring to the surgery that she had undergone to install the respirator tube in her throat.

She nodded.

"Well, we have to make another decision about your care." Again, she looked at him intently.

"Now, I don't want this to upset you," Dr. Finley said. "Nothing has changed in your situation. But we have to ask you this now so we will be better able to handle your care." She smiled.

"We are not optimistic we can take you off the ventilator," Dr. Finley said, referring to the respirator. "We've known that for a while, and we're looking to send you to a nursing home. But we need to know, if something unexpected should happen, if you should have an irregular heartbeat, do you want us to resuscitate you?"

The frail woman paused for a moment. And then she nodded.

"You understand what I am asking?" She nodded again.

"As it stands, you want everything done."

To the surprise of Dr. Finley and the two others standing at her bedside, she nodded yet again.

It was now 2:40 P.M., and as he left that patient Dr. Finley walked right into the

daughter of the butcher.

"The fact is," she announced suddenly, "we never got along. He was an opinionated, dogmatic stubborn man." Then she began to cry.

"But you still love him," Dr. Finley said, trying to soothe her. "And he's your father."

"I woke up last night," she said, sobbing as she spoke, "and said, if we take him off the

respirator, maybe he'll choke to death. I can't let him go through that."

The woman spoke about the guilt she felt about having brought her father to the hospital; how divided the family was; how he had not left a will, how someone had accused her of wanting her father dead.

"How do you feel now?" Dr. Finley asked.

"How closely do you want him followed?"

"Not at all," she said. "But I don't want him to be in any discomfort. What can we do, doctor? I'd like to see him go quietly. Shall we withhold antibiotics? What are the options?"

"But what if he could go home?" Dr. Finley asked.

"He can't go home," she said firmly. "He'd hate it."

"What does the rest of the family expect?" Dr. Finley asked.

"A funeral," she said.

An AIDS patient was next. "The thing that makes no sense to me," Dr. Finley said, "is that there is no cure for AIDS, yet people with the disease are fed through the heart and put on respirators to keep them alive."

"What are we going to do for these people in terms of their outcome or benefit?" he asked.

HE entered yet another room, that of the 84-year-old mother of the well-known heart surgeon.

"Look at her," Dr. Finley said, standing before the woman, who was unconscious and connected to a respirator and no less than a dozen other hoses and machines. She could no longer breathe on her own, nor could she see the card taped to the pole from which antibiotics were being administered intravenously. "We love you, Grandma," it read.

"She'll never get out of here," Dr. Finley continued. "Never, ever. Why was she resuscitated? Why are we doing all this stuff? She's not going back to be Grandma. We mislead families about medicine when we talk about survival."

Dr. Finley, an outgoing man of gentle demeanor, who manages to defuse tension in even the most difficult of situations with a smile, now was angry.

"There's a point where you wish they'd die," he said, looking away. He spoke about how some doctors make a game of resuscitation; how the challenge for some young doctors becomes having patients die a so-called "Harvard" death, in which their blood gas numbers perfectly match those given in textbooks.

"The tragic thing for me," he said, "is how they die and where they die: poor elderly people in rooms where there is no day or night, where they see and hear everything. It terrifies them."

Not long after that, the heart of the cardiologist's mother stopped. "No heroic measures were taken," Dr. Finley said, meaning she was not resuscitated.

The alcoholic died soon after, despite prolonged efforts to save her.

The next day the lawyer's heart stopped. As agreed, doctors tried to revive her but were unsuccessful.

The butcher died the following Sunday, and because his situation had never been resolved, unsuccessful efforts were made to revive him as well.

The interior designer improved rapidly and was sent home. But contrary to everyone's new hopes, a week later he, too, died. The diletante died a short time later.

Only Mr. Purpura, the interpreter, remained. His bill thus far was \$181,712.

Mr. Purpura was one of Dr. Finley's favorite patients. He had been in the intensive-care unit since July 17. He and his wife knew there was virtually no hope that he would survive this hospitalization.

"You have to draw an arbitrary line," said Dr. Finley, who had become personally involved in this case but recognized that the length and expense of Mr. Purpura's care had implications for others. "We've given him not one chance, not two chances, but many chances to make it on his own. Age has to be a factor. Family has to be a factor. Expense to society has to be a factor, too."

But where is that line drawn?

"I sure don't want to make that decision," he said. Six weeks later, Mr. Purpura died.

"There are times where you cry all night," said a nurse in the unit, Mary Muller Piro. "When you see patients dying long-term, slow deaths. I used to feel families should have everything to say. But what if families don't understand?"

"There are so many times where we're left in the woods," she said. "Who are we responsible to? Who should decide?"

NYSE Most Actives				
Vol.	High	Low	Last	Chg.
Philips	51.18	51.18	51.18	0.00
Unilever	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00
AT&T	27.72	27.72	27.72	0.00

Dow Jones Averages				
Index	Open	High	Low	Close
Indus	126.06	126.13	125.90	126.02
Trans	63.96	63.97	63.96	63.97
Comp	32.22	32.27	32.19	32.19

NYSE Index				
Composite	High	Low	Close	Chg.
Composite	104.24	104.34	104.24	+0.10
Composite	104.24	104.34	104.24	+0.10
Composite	104.24	104.34	104.24	+0.10
Composite	104.24	104.34	104.24	+0.10

Tuesday's NYSE Closing				
Vol. at 4 P.M.	103,900,000	Prev. 4 P.M. vol.	113,700,000	Prev. consolidated close
Tables include the following prices up to the closing on Wall Street				

AMEX Diaries				
Advanced	Declined	Unchanged	Total Issues	Volume
Advanced	Declined	Unchanged	Total Issues	Volume
Advanced	Declined	Unchanged	Total Issues	Volume
Advanced	Declined	Unchanged	Total Issues	Volume
Advanced	Declined	Unchanged	Total Issues	Volume

NASDAQ Index				
Composite	Class	Chg.	Week	Year
Composite	Class	Chg.	Week	Year
Composite	Class	Chg.	Week	Year
Composite	Class	Chg.	Week	Year
Composite	Class	Chg.	Week	Year

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.

12 Month High	Low	Div. Yld. PE	Stk. High Low	Chg.
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Blue Chips Slide at Day's End

United Press International

NEW YORK — The stock market had a bumpy ride to a mixed finish Tuesday, with blue-chip issues sliding but the broader market pushing higher.

The Dow Jones industrial average dropped 4.85 to 125.23. The Dow was above its all-time high of 1,292.62 in the first hour, then declined.

A subsequent rise into record territory abruptly came to an end in the last hour when some major brokerages came into the market with organized selling programs.

The Dow Jones transportation average advanced 6.65 to a record 626.11.

The New York Stock Exchange index gained 0.26 to 104.42, an all-time high. The price of an average share increased 9 cents. Standard & Poor's 500-stock index rose 0.26 to a new high of 180.61. Advances topped declines by a 5-3 ratio among the 2,940 issues traded.

Big Board volume was 143.90 million shares, up from the 113.72 million traded Monday.

"Buyers moved to the sidelines" when the sell programs hit the market in the last hour, said Keith Hertel of Drexel Burnham Lambert. He said the selling programs represented a readjustment of portfolios rather than a reflection of any changes in fundamentals.

Mr. Hertel said a lowering of earnings estimates for General Motors by its firm pushed the automaker's stock lower.

He said the stock market is still headed higher with a break through the 1,300 level on the Dow likely to occur soon.

Investors so far have ignored news that the Reagan administration's fiscal year 1986 budget totals \$793.7 billion, with a deficit of \$180 billion.

12 Month High	Low	Div. Yld. PE	Stk. High Low	Chg.
12 Month High	Low	Div. Yld. PE	Stk. High Low	Chg.
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12 Month High	Low	Div. Yld. PE	Stk. High Low	Chg.

Long-term security with instant liquidity: Krugerrand gold bullion coins.

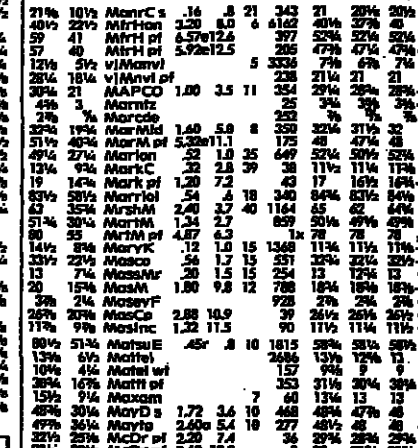
In 1964 investors around the world, once again, put part of their assets into gold as security for the long term. And for millions of serious investors gold means Krugerrands.

The fact is that two out of three newly minted bullion coins were Krugerrands. Krugerrands are standardized in 1 oz., 1/2 oz., 1/4 oz. and 1/10 oz. pieces of 999.9 fine gold (plus a touch of hardening alloy) to suit investors and savers alike.

Because they are so widely held—and universally recognized—Krugerrands represent instant liquidity. They are traded 24 hours a day, around the clock, around the world.

Ask your bank or broker. Or write for your free copy of the "European Guide to Gold and Krugerrands" to:

International Gold Corporation
Coin Division
1 rue de la Rôtisserie
CH-1204 Geneva - Switzerland



Please note that International Gold Corporation does not provide a buying or selling service.

12 Month High	Low	Div. Yld. PE	Stk. High Low	Chg.
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WEDNESDAY, FEBRUARY 6, 1985

INTERNATIONAL MANAGER

Europe Roundtable Aims To Open Up the Borders

By PAUL LEWIS

New York Times Service

PARIS — In 1972, a group of chief executive officers from leading U.S. corporations, convinced that the business community was widely misunderstood, formed the Business Roundtable to get their point of view across to government officials and the general public.

Eleven years later, a group of European chief executives, similarly dissatisfied with the way their governments were treating business, formed a Business Roundtable of their own.

While the general goals of the two organizations are the same, the groups differ in many ways. The European one is much smaller than the American — about 20 members, compared with more than 200 — and instead of limiting themselves to lobbying, the Europeans have put forward a \$60-billion plan for spurring economic growth.

To Europe's business leaders, governments are to blame for much of the Continent's chronic problems with growth and unemployment as well as its technological backwardness. The reason, the business leaders say, is that officials have failed to create the authentic free-trading area that they promised when they started to build the European Community more than 25 years ago.

Unless Europe's frontiers are stripped of red tape, the Roundtable fears, the Continent will never be able to develop enough world-scale companies and winning technologies.

"European integration has stopped — it's going backwards," said the chief executive officer of the Swedish group Volvo AB, Pehr G. Gyllenhammar, who in 1983 founded the Roundtable. "Governments focus on the problems of agriculture and declining industry, not on industries that can succeed."

"If we wait for the politicians to act... well, all I can say is that we've been waiting a long time already," said Wisse Dekker, president of Philips NV, the big Dutch electronics group. He was explaining why he had agreed to become a vice chairman of the Roundtable.

Rather than complain, Europe's Business Roundtable last year put forward its \$60-billion plan, which aims at revitalizing trade, increasing growth and promoting industrial efficiency by opening up Europe's frontiers.

THE project, known as Missing Links, foresees a web of tunnels, bridges and high-speed train tracks that would speed the movement of goods and people around Europe. By increasing the volume of traffic, the project could make frontier controls seem petty nuisances and could strengthen political pressure for their abolition. As Mr. Gyllenhammar put it, "Our links make frontiers irrelevant."

While the Roundtable hopes economic pressure will sweep away Europe's trade barriers, a new group of frustrated Europeans is trying to do the same thing by political means.

Calling itself the Action Committee for Europe, this group comprises politicians, trade unionists, business executives and bankers. On June 7, at its inaugural meeting in Stuttgart, it plans to introduce a detailed plan for transforming the European Community. Key features include a timetable for eliminating specific trade barriers.

The Action Committee for Europe is a recreation of the Action Committee for a United States of Europe, founded in 1955 by Jean Monnet, the legendary "Father of Europe," and disbanded a few years before his death in 1979.

Like its predecessor, the new committee plans to work from within the existing power structure, recruiting people in high places who will use their influence to advance its aims.

But its objectives are different. Monnet saw the nationalism of de Gaulle as the threat to Europe's future. The new Action Committee thinks the threat is economic, stemming from Eu-

Currency Rates

Latest interbank rates on Feb. 5, excluding fees.
Official fixings for Amsterdam, Brussels, Frankfurt, Milan, Paris, New York rates at 4 P.M.

	Amsterdam	Brussels	Frankfurt	Milan	Paris	New York
1 U.S. dollar	3.4645	4.822	11.212	37.045	1.936	1.000
100 U.S. dollars	346.45	482.2	1121.2	3704.5	193.6	100.0
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100 U.S. dollars	346.45	482.2	1121.2	3704.5	193.6	100.0

Source: Reuters, Comptroller, Credit Lyonnais, Deutsche Bank, etc.

Interest Rates

	1 U.S. dollar	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars
1 U.S. dollar	3.4645	4.822	11.212	37.045	1.936	1.000
100 U.S. dollars	346.45	482.2	1121.2	3704.5	193.6	100.0
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Source: Reuters, Comptroller, Credit Lyonnais, Deutsche Bank, etc.

Asian Dollar Rates

	1 U.S. dollar	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars
1 U.S. dollar	3.4645	4.822	11.212	37.045	1.936	1.000
100 U.S. dollars	346.45	482.2	1121.2	3704.5	193.6	100.0
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Source: Reuters, Comptroller, Credit Lyonnais, Deutsche Bank, etc.

Key Money Rates

	1 U.S. dollar	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars
1 U.S. dollar	3.4645	4.822	11.212	37.045	1.936	1.000
100 U.S. dollars	346.45	482.2	1121.2	3704.5	193.6	100.0
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100 U.S. dollars	346.45	482.2	1121.2	3704.5	193.6	100.0

Source: Reuters, Comptroller, Credit Lyonnais, Deutsche Bank, etc.

Gold Prices

	1 U.S. dollar	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars
1 U.S. dollar	3.4645	4.822	11.212	37.045	1.936	1.000
100 U.S. dollars	346.45	482.2	1121.2	3704.5	193.6	100.0
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Source: Reuters, Comptroller, Credit Lyonnais, Deutsche Bank, etc.

Mexico Cuts Price Of Oil

Per-Barrel Cost Slashed \$1.25

By Robert J. McCartney

Washington Post Service

MEXICO CITY — Mexico has lowered the price of its light crude oil by a modest amount in line with last week's reductions by the Organization of Petroleum Exporting Countries.

Mexico cut the price Monday of its Isthmus crude by \$1.25 a barrel to \$27.75 a barrel. It left unchanged the price of its heavy crude, called Maya, at \$25.50 a barrel. Light crudes cost more than heavy ones because they yield more gasoline when refined.

The price cut, which mainly will benefit Japan, was too small to seriously hurt Mexico's debt-burdened economy, according to government officials and foreign economic specialists.

It will cost Mexico \$300 million a year in lost revenues, which is equivalent to only 1.9 percent of the nation's total petroleum income, according to a joint communiqué from the Energy Ministry and the state oil company, Petróleos Mexicanos, or Pemex.

"The reduction in the price of Isthmus affects us, but not catastrophically," the communiqué said. "The contraction in foreign-exchange income that it implies is manageable for our economy."

Mexico is not a member of OPEC, but it follows the cartel's guidelines and the relatively modest size of the price cut signaled that Mexico was continuing its policy of avoiding a price war with OPEC.

However, industry analysts said that Mexico might lower its price again if OPEC members steal its customers by granting under-the-table discounts.

Mexico, which produces 2.7 million barrels a day, is the world's fourth-largest oil producer and the largest single supplier to the United States. The United States mainly buys Mexico's heavy crude, Maya, however, while Japan is the main purchaser of Isthmus.

The Mexican communiqué appeared to be deliberately vague about how much oil Mexico intended to export this month. It said that it was ending its November commitment to reduce exports by 100,000 barrels a day. But it also pledged not to increase exports.

■ OPEC Output Drops

A sharp drop in Iranian oil production, due in part to increased attacks on tankers in the Persian Gulf, resulted in a significant fall in OPEC's crude oil output in January, the International Energy Agency said Tuesday. The Associated Press reported from Paris.

OPEC's overall crude oil production was 15.5 million barrels a day in January, compared with 16.7 million barrels a day in the fourth quarter of 1984, the agency said.

Dollar Remains Near Records In Late Trading

United Press International

NEW YORK — The dollar pulled back slightly Tuesday from its record advance Monday but remained at what dealers called "breath-taking" levels.

The dollar hit a high of 3.2320 Deutsche marks in New York before retreating in profit-taking to end still sharply higher on the day.

"Everybody was waiting for the dollar to come down after Monday's advance," said Christian Holtermann, senior trader at First American Bank of New York. "Some tentative sold, but when the dollar started forward they had to buy it back."

A dealer for Barclays Bank International in London said the dollar appeared "unstoppable," especially against the mark.

In late New York trading against key currencies, the dollar was at 3.230 marks, up from 3.217 Monday; 9.8400 French francs, up from 9.8224, and 2.735 Swiss francs, down from 2.742. The British pound finished in New York at \$1.150, down from \$1.1165 Monday.

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U.S. Wood-Products Firms in Trouble



Sorting logs at a Crown Zellerbach-managed forest in Washington.

By Thomas C. Hayes

LOS ANGELES — With interest rates falling and another good year in housing starts likely, wood-products companies in the United States should be celebrating.

Instead, several major companies are struggling amid an oversupply of lumber and declining timberland values.

Many, including International Paper Co., Champion International Corp., Boise Cascade Corp. and Crown Zellerbach Corp., posted write-downs for the fourth quarter of 1984.

International Paper, based in New York, took the biggest write-down for 1984, \$163 million, with \$155 million directly tied to troubles in wood products. It closed a mill in Gardner, Oregon, laying off 490 workers, and is planning more shutdowns.

"By taking the write-off, we are trying to face reality," said Ann Silvernail, a company spokeswoman. "The wood-products business was unprofitable for the entire year in 1984."

The forces behind the timber glut include less use of wood in home construction and a surge of imports from Canada, Brazil and Venezuela, made less costly by the strength of the dollar.

In some ways this glut mirrors troubles faced by the oil industry. And to some analysts, they appear equally intractable.

"It's quite clear that the oversupply is not going to readily go away," said Thomas P. Clephane, a forest-products analyst with Morgan Stanley & Co. "If the industry did not prosper with housing starts at 1.8 million last year, one has to wonder how it will do when starts are much lower."

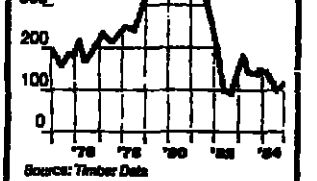
Companies have closed mills across the Pacific Northwest, reduced the value of their timberlands and raised questions on Wall Street about the long-term benefits of owning vast areas of forests.

"Certainly for the short term, timber prices will not go up," said Gary Palmero, paper and forest-products analyst with Oppenheimer & Co. "If anything, they could come down some more."

The amount of timberland put up for sale began to rise during

Timber Prices

Average quarterly contract price for Douglas Fir, dollars per 1,000 board feet



Source: Timber Data

Sorting logs at a Crown Zellerbach-managed forest in Washington.

The steep recession in 1981 and 1982, and is still growing. Industry analysts estimate that as much as 9 million acres (3.62 million hectares) are for sale, with few buyers evident.

Sir James Goldsmith, a British investor who earlier last year waged an unsuccessful effort to take over St. Regis Corp., said last month that he might buy up to 25 percent of Crown Zellerbach's common shares. Sources close to the San Francisco-based company said, however, that they had seen little evidence of buying by Sir James.

Zellerbach reduced net income in 1984 by \$30.1 million, saying it was partly to increase reserves needed to cover losses expected on timber-cutting contracts. William T. Creson, Zellerbach's chairman and chief executive, described the long-term outlook for solid-wood products as "cloudy at best."

Many analysts said that they expected more bad news from the forest companies this year.

"I think there will be more write-offs in 1985," said H.C. Bowen Smith, an analyst with Salomon Brothers. "For some companies it will be because of (Continued on Page 11, Col. 6)

Icahn Offers To Buy Phillips For \$8.5 Billion

By Mark Potts

Washington Post Service

WASHINGTON — Carl C. Icahn, a New York financier, offered \$8.5 billion Tuesday for Phillips Petroleum Co., putting the oil company under threat of a takeover for the second time in two months.

But Mr. Icahn's bid was conditioned on his ability to obtain financing — which some analysts questioned — and Phillips said it would not consider the offer until Mr. Icahn lined up financial backing.

The \$55-a-share bid comes as Phillips is trying to convince its shareholders to accept a recapitalization plan valued by the company at \$53 a share, but estimated by many on Wall Street to be worth somewhat less.

The plan, which is scheduled for a stockholder vote Feb. 22, is the key part of a package assembled by Phillips to chase off a takeover threat by Mesa Petroleum Co.'s chairman, T. Boone Pickens.

Wall Street analysts were divided on the effect of the offer by Mr. Icahn, one of several investors who bought big positions in Phillips in anticipation of a takeover by Mr. Pickens.

By the time Mr. Pickens and Phillips reached a truce, the price of Phillips stock had slid into the mid-\$40s.

On the New York Stock Exchange Tuesday, Phillips common was the most actively traded stock of the day, closing at \$50, up \$2.87.

Alan Edgar, an oil-industry analyst at Schneider Berner and Hickman in Dallas, said Mr. Icahn probably had the Phillips management "boxed in" with his offer. "Fifty-five dollars is a lot higher and fairer than the blended price in the high-40s," he said.

But Sanford Margoshes, who follows the oil industry for Shearson Lehman/American Express, said too many questions surrounded the Icahn offer.

"You have a known quantity at \$53 and on the other side you have an unknown quantity at \$55," he said. "I think that institutions and more conservative investors will opt for the known."

Nearly half of Phillips's 154.6 million common shares are owned by institutional investors.

Mr. Margoshes said a key flaw in Mr. Icahn's offer was the question of its financing. Mr. Icahn said he planned to offer \$55 in cash for half of the Phillips shares, and securities with the same value for the other half.

Mr. Icahn said in a letter to Phillips that he had not yet arranged loans to pay for the cash part of the offer, although his financial adviser, Drexel Burnham Lambert, was confident it could put together the financing in the next couple of weeks if Phillips agreed to the offer, he said.

Phillips seemed unwilling even to consider the bid without the financing, thus, apparently, putting the two sides at an impasse. Neither Mr. Icahn nor Drexel Burnham officials could be reached for comment.

"There's no assurance that Mr. Icahn can come up with firm financing," Mr. Margoshes said. My best guess is that tomorrow Phillips will graciously decline the offer.

Rumors have circulated on Wall Street for a few weeks that Mr. Icahn or some other large shareholder might make a bid for Phillips in an effort to recoup something from Mesa's abandonment of its offer.

BUSINESS ROUNDUP

Eastern Plans Salary Cuts After Labor Negotiations Fail

MIAMI — Eastern Air Lines said Tuesday that it would cut the salaries of its 37,500 employees by 18 percent to 22 percent beginning this week because negotiations with three labor unions failed to bring new cost-cutting agreements.

Eastern's action was likely to send the unions back to court to press the lawsuits they filed against the carrier when it unilaterally extended 1984 pay cuts beyond Jan. 1.

The airline and its unions agreed in January that full pay would be restored for that month if a new cost-cutting plan could be in place by Feb. 1. Talks broke down during the weekend and Eastern said it would reinstate the cuts.

"The agreements were only for the month of January," said Richard McGraw, the carrier's vice president for communications. "We are now in February."

Eastern went into technical default on some of its \$2.4 billion in loans at 12:01 A.M. on Feb. 1, when it failed to reach agreement

with the unions on new cost-cutting measures.

The cost reductions were demanded by the airline's 60 lender banks as proof that in 1985, Eastern could achieve a profit for the first time in six years. The lenders reportedly would like a wage-and-operating plan that projects a \$99-million profit.

On Monday, Eastern met with a small group representing the banks and asked for an extension of the Feb. 1 deadline. The banks have not responded.

Two unions, the pilots and flight attendants, reached agreement last week with Eastern. But the biggest union, the 17,000-member International Association of Machinists, balked.

The two sides did not meet Monday and no talks were scheduled Tuesday.

Eastern got agreements from its 37,000 employees last year to give up 18 percent to 22 percent of their pay in exchange for stock and four seats on the board of directors. That agreement expired Dec. 31.

China Negotiates With Boeing on Airplane Buys

BEIJING — China has been negotiating with Boeing Co. for the possible purchase of 747, 767 and 737 airliners, the official Xinhua news agency said Tuesday, quoting the head of the Civil Aviation Authority of China.

Shen Tu, the authority's director, said China also was negotiating purchases from the European consortium Airbus Industrie, British Aerospace PLC and other manufacturers. He gave no details.

The aviation authority announced last month that it was buying 19 aircraft — three Airbus A310s, seven Boeing 737-200s and nine Soviet Tupolev-154Ms. Mr. Shen did not specify the number of additional aircraft that the authority was seeking.

"The next three years will witness a big boom in China's civil aviation, relieving overstrained services on both domestic and international routes," he said in a statement released by Xinhua.

The aviation authority's monopoly is being ended and the company will be split into five airlines.

Earnings Outlook Is Gloomy For Some U.S. Retail Chains

By Isadore Barnash

NEW YORK — The difficult fiscal year for retailers, particularly the disappointing Christmas season, has caused Wall Street analysts to predict earnings declines in the year for about half of the 12 largest retail chains in the United States.

According to a consensus of analysts, declines from the 1983 fiscal year are expected at J.C. Penney Co., Federated Department Stores, Carter-Hawley-Hale Stores Inc., Associated Dry Goods Corp. and Sears, Roebuck & Co.

Earnings gains in the fiscal year that ended Saturday were expected for K mart Corp., Dayton-Hudson Corp., R.H. Macy & Co., May Department Stores Co., Wal-Mart Stores Inc. and Zayre Corp.

Earnings at Allied Stores Corp. are expected to be flat.

"The problem with 1984 wasn't consumer spending, which was generally satisfactory, but that retailers over-anticipated sales and over-planned their inventories," said Jeffrey B. Edelman, an analyst for Dean Witter Reynolds Inc.

The entire retail industry emerged from 1983 with strong sales results and therefore had high expectations for 1984, Mr. Edelman said.

BUSINESS PEOPLE

3 Appointed As Advisers At Chemical

By Brenda Hagerty

LONDON — Chemical Bank of New York has appointed Fritz Leutwiler, James B. Leslie and Washington Sycip to its international advisory board.

On May 30, Mr. Leutwiler will become president of the Swiss engineering concern Brown, Boveri & Co. Until the end of 1984 he served as head of Bank for International Settlements and the Swiss National Bank. He became an adviser to Robeco, a Dutch investment group, in January and joined the board of directors of the Prince of Liechtenstein Foundation.

Mr. Leslie was appointed chairman of Sydney-based Qantas Airways Ltd. in July 1980. He retired as managing director of Mobil Oil Australia Ltd. in July 1980, and as chairman of that company in January 1981, after eight years in that position. Mr. Leslie was the first Australian to hold these posts at Mobil. In addition, he is a director of several Australian companies.

Mr. Sycip is founder and chairman of the SGV Group, a Manila-based auditing and management consulting firm that has member firms throughout Asia and the

Middle East. Mr. Sycip also serves as chairman of the board of trustees and the board of governors of the Asian Institute of Management in the Philippines and as president of the International Federation of Accountants. In addition, he is chairman of the Euro Asia center of the European Graduate Business School in Fontainebleau, France.

Wells Fargo Bank has appointed Juan Parra as head of its Madrid representative office. He succeeds Mark F. Fries, who is moving to London as general branch manager.

Mr. Parra formerly was assistant representative in Madrid for the San Francisco-based Bank.

Banco di Sicilia said Ettore Salemi has become general manager of its London branch. He succeeds Antonio Succo, who has been named deputy chief manager for the foreign-relations division of the bank in Rome. Mr. Salemi previously was deputy general manager of Banco di Sicilia's London branch.

Westpac Banking Corp., Australia's largest financial-services group, said it plans to open a representative office in Kuala Lumpur later this month. Derek Phillips, currently manager of Malaysian business at Westpac's Singapore branch and regional office, will be the chief representative in Kuala Lumpur.

Dana Corp. has named Alejandro Valenzuela president of Dana Europe. He succeeds Joe Magliochetti, who was transferred to the Toledo, Ohio, head office of Dana, a maker of components and parts

for the transportation industry, to take up the post of vice president. Mr. Valenzuela will continue as chairman of Floquet Monopole SA, one of the French companies within Dana Europe.

County Bank Ltd., the merchant-banking arm of National Westminster Bank PLC, is to establish two subsidiaries in Australia to provide services in the domestic and international capital markets, corporate advice and investment management. Trading is expected to start at midyear. Peter Hall, an Australian who was until recently a general manager of Chase-NBA Group Ltd., Melbourne, has been recruited by County Bank to run its Australian operations. He will also join the boards of County Asia Securities Ltd. in Hong Kong and County Bank in London.

Ranque Scandinavie en Suisse said that as a further development of its trust activities, it plans to open a representative office in London in the first half of this year. The bank, the Swiss subsidiary of Scandinavian Bank Ltd., the London-based consortium, said the office will be headed by Michael Nesim.

Datserv Inc. said Volker Heiderich has become a managing director of its Düsseldorf-based subsidiary, Premier Computers GmbH. He returns to the company following a year as managing director of IBL Computer GmbH in Düsseldorf. Datserv, which is based near Minneapolis, is a computer-leasing and maintenance group.

COMPANY NOTES

Trans World Airlines will expand service between New York and Minneapolis-St. Paul and between New York and Charlotte, North Carolina, in late April. It will start routes to Copenhagen, via London, and Geneva, via Paris; extend its Cairo-Kuwait service to Bombay; and fly nonstop to Munich on the route that now stops in Frankfurt.

Applied Intelligent Systems Inc. has completed the sale of 12.6 percent of its stock to General Motors Corp.

Bally Manufacturing Corp.'s Bally Sente unit has entered into an exclusive licensing agreement with Horn Abbott Ltd. to produce and market "Trivial Pursuit Think Tank," a video-arcade version of the board game Trivial Pursuit.

Eastair Corp., Australia's leading textile producer, has begun an effort to acquire Tootal, a major British textile company, for \$124 million (\$138 million). Eastair holds a 4.78-percent interest in Tootal.

International Business Machines Corp. has added two new model types to its 3380 family of direct-access storage devices and enhanced-associated control units.

Kelvin Co. and Hudson Enterprise will sell their Bermuda joint venture, Savarna Corp., the holding company of Panamanian-registered Everitt Steamship Corp., to a consortium of Sea Containers Ltd. and Marine Chartering Co.

The Los Angeles Times-Washington Post News Service has be-

gun a financial news service called Business DataCall.

Manville Corp. has announced a \$112-million settlement with Insurance Company of North America, Midland Insurance Co. and Allstate Insurance Co., which had written its supplementary insurance for asbestos-related injuries.

Oak Industries Inc. has sold its ailing CATV service in Los Angeles to Select TV of America Ltd., a subsidiary of Clarion Co. Japan's largest independent maker of stereo equipment.

Rockefeller Group, the owner of New York's Rockefeller Center, will buy from Columbia University the 11.7 acres (4.7 hectares) of land Columbia owns under the center for \$400 million.

Samsung Construction Co. of Seoul is approaching banks for a \$45-million working capital facility to help finance construction projects in the Middle East.

Saxxon Oil PLC said Du Pont Co.'s Conoco Ltd. subsidiary is operator on two gas discoveries in the British North Sea in which Saxxon holds shares.

Pacific Lighting, parent company of Southern California Gas Co., Houston Natural Gas Corp., and El Paso Natural Gas Co., a subsidiary of Burlington Northern Inc., plan to build a \$250-million pipeline from Topock, Arizona, to California's San Joaquin Valley to provide gas for use in oil production.

Company Earnings

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Canada				First Boston				Pioneer			
Year	1984	1983	1982	Year	1984	1983	1982	Year	1984	1983	1982
Revenue	1,254	1,174	1,102	Revenue	25.9	25.0	24.0	Revenue	36.0	34.0	32.0
Net Inc.	174	162	152	Net Inc.	1.8	1.5	1.3	Net Inc.	1.5	1.3	1.1
Per Share	2.47	2.16	2.02	Per Share	0.08	0.07	0.06	Per Share	0.08	0.07	0.06
South Africa				General Motors				Southwest			
Year	1984	1983	1982	Year	1984	1983	1982	Year	1984	1983	1982
Revenue	1,254	1,174	1,102	Revenue	25.9	25.0	24.0	Revenue	36.0	34.0	32.0
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United States				Mesa Petroleum				Termaco			
Year	1984	1983	1982	Year	1984	1983	1982	Year	1984	1983	1982
Revenue	1,254	1,174	1,102	Revenue	25.9	25.0	24.0	Revenue	36.0	34.0	32.0
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Per Share	2.47	2.16	2.02	Per Share	0.08	0.07	0.06	Per Share	0.08	0.07	0.06
Amer. Cyanamid				MCI Comm.				Tectron			
Year	1984	1983	1982	Year	1984	1983	1982	Year	1984	1983	1982
Revenue	1,254	1,174	1,102	Revenue	25.9	25.0	24.0	Revenue	36.0	34.0	32.0
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Amer. Petrofina				Emerson Elec.							
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Per Share	2.47	2.16	2.02	Per Share	0.08	0.07	0.06				

Group Seeks Freer Trade

(Continued from Page 9)

rope's divided market and protectionist impulses.

"The economy is the priority — that's why we are bringing in industrialists and bankers," said Simon May, the group's British-born deputy secretary general and a former EC civil servant.

Britain and West Germany are leading a drive to resolve what in Eurojargon is called "the internal market problem." This would mean reducing customs paperwork and eliminating differing safety standards and arcane regulations that a recent study says are the equivalent of a 15-percent tariff on all goods moving across Europe's supposedly tariff-free frontiers.

It would also mean removing legal barriers to cross-frontier mergers and eliminating rules that stop European insurance companies from writing business in other countries.

Wood-Products Firms in Trouble

(Continued from Page 9)

the timberland situation, for some it will be manufacturing assets and for others it will be both."

Last October, President Ronald Reagan signed a bill that gives dozens of companies in the Pacific Northwest the right to cancel \$2.5 billion in pre-1982 contracts to buy and cut timber on government-owned lands.

Still, the industry will have to pay cancellation fees and stands to lose about \$220 million in settling the contracts, according to Douglas McDonald, publisher of Timber Data, an industry newsletter in Eugene, Oregon. Under the bill, rights to the uncut timber revert to the government.

In the first quarter of 1980, with inflation running high and the government restricting forests available for timber sales, bidding for Douglas fir reached \$486 per thousand board feet, a measure of lumber equal to 12-by-12-by-1 inches (31-by-31-by-2 centimeters). The price fell to \$92 in 1982, rebounded to \$180 early in 1983, but has steadily declined, and at

the end of last year was \$108, according to Timber Data. The government is the major supplier of timber in the Northwestern United States.

The government tried to help, by extending contract limits until 1991. If the market for lumber and plywood does not improve by then, however, "there are a lot of companies that won't be around," said C.W. Knodell, executive vice president of finance at Willamette Industries, in Portland, Oregon.

A major reason for the declining timber values is Canada's increasing share of the lumber market in the United States. It has grown to about 30 percent, from 22 percent in 1975, according to Fred Resburg, director of economic services at the Western Wood Products Association, in Portland.

The fall of the Canadian dollar, to about 75 cents currently, gives Canadian mills a cost advantage that has helped them overcome long shipping distances to penetrate most American markets.

The sharp climb in lumber prices, which more than tripled be-

tween 1974 and 1979, forced builders to reduce the size of homes and the amount of lumber used, said Mr. Clephane, of Morgan Stanley.

"This is a logical economic response," he said. "It's analogous to what is going on in the oil market, where very sharp increases in the price of a natural resource triggered changes in the uses of the material."

Most executives say they will have to wait for a weakening of the dollar before important export markets in Japan, South Korea and Western Europe revive and the Canadian imports can be beaten back. They also are hoping for lower mortgage rates and 2 million housing starts a year, but few expect to see that in this decade.

T.J. Tomjack, general sales manager for the Polatch Corp. in its Western wood-products division, in Spokane, Washington, said the comparatively high timber costs in the Northwestern United States have caused many companies to shift their new operations to the Southeast, where timber is less costly.

UP TO NOW IT'S BEEN A PIECE OF CAKE.

But don't be fooled. Beyond the current euphoria are signs of serious trouble. The huge and potentially crippling budget deficit requires immediate action from the White House and Congress. And tax reform can only survive if Ronald Reagan gets solidly behind it. Every week of the year BusinessWeek brings you this kind of significant story. Dynamically written, and insightfully analyzed.

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With the cooperation of the French Government, we have gathered together the key ministers most directly involved with policies affecting business activities in France.

The program will include presentations by:
Pierre Bérégovoy, Minister of Economy, Finance and Budget.
Edith Cresson, Minister of Industrial Redevelopment and Foreign Trade.
Hubert Curien, Minister of Research and Technology.
Michel Delebarre, Minister of Labour, Employment and Vocational Training.
Roland Dumas, Minister of External Relations.

Additional insights will be provided by a panel of international businessmen and bankers, including Eric Bourdais de Charbonnière, SVP, and General Manager, Morgan Guaranty Trust Company of New York and Laik Le Hoch-Prigent, Chairman of Rhône-Poulenc.

Each presentation will be followed by a question-and-answer period, and simultaneous French-English translation will be provided at all times.

An important aspect of the conference will be the extensive opportunities to engage in informal discussion with the current policy makers and with other business executives actively doing business in France.

On February 27, the Ministry of Industrial Redevelopment and Foreign Trade is organizing full day visits, exclusively for conference attendees, to industrial plants including

the Aerospatiale plant in Toulouse. Full details will be sent to all participants registering for the conference. To register for this exceptional conference, please complete and return the registration form today.

Herald Tribune

NAME		SURNAME	
FIRST NAME			
POSITION			
COMPANY			
ADDRESS			
CITY/COUNTRY			
TELEPHONE		TELEX	

Tuesday's AMEX Closing

Vol. of 4 P.M. 1744200
Prev. 4 P.M. Vol. 1625000

Tables include the nationwide prices up to the closing on Wall Street

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Over-the-Counter NASDAQ National Market Prices Feb. 5

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Floating Rate Notes Feb. 5

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

More Trade Barriers Dropped by Taiwan

TAIPEI — Taiwan has dropped import licensing requirements for more than 5,400 products in a further move to open its markets and reduce its trade imbalance, the Economic Ministry said Tuesday. A ministry spokesman said the government hopes that the new measures, which cover imports of textiles, machinery, glassware and luxury items, would help encourage imports of foreign products, particularly from the United States.

WHAT ARE THE EXPERTS SAYING

WALL STREET WATCH BY EDWARD ROSENBERG IN EACH THURSDAY'S HT

ADVERTISING INTERNATIONAL FUNDS

Quotations Supplied by Funds Listed 5 February 1985

Stock	High	Low	Open	Close
ADD	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2
ADT	10 1/2	10 1/4	10 1/4	10 1/2

BAXTER/TRANVOL INTERNATIONAL CAPITAL CORPORATION
FIRST SERIE CONVERTIBLE PREFERRED STOCK

Bearer Depositary Receipts

